

Presentation Material for the 17th fiscal Period
(March 1, 2014 — August 31, 2014)

(Asset Management Company)

DAIWA HOUSE
ASSET MANAGEMENT Co., Ltd.

Financial Instruments Dealer, Kanto Financial Bureau
Director (Kin-sho) No. 409
Member of The Investment Trusts Association, Japan



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*1) All amounts shown in this material are rounded down to the nearest unit, and for all percentages, figures are rounded off to the nearest unit.

*2) All photos used in this material are photos of properties managed or plane to manage by Daiwa House Residential Investment Corporation ("DHI") except for the property photos on pages 10 and 50.

Overview

- ① DHI is a residential-focused J-REIT that mainly invests in **residential properties** with stable rent and occupancy rate.
- ② DHI closely works in cooperation with our sponsor, **Daiwa House Group** to secure steadily increase our assets under management.
- ③ **Stabilize distributions** by utilizing **retained earnings ¥18.4 billion** (*).

*) The amount of retained earnings indicates after a reversal of internal reserves as end of August 2014. The amount before a reversal is ¥18.5 billion.

16th Fiscal period (as of February 28, 2014)

Number of Owned Properties	132 Properties
Leasable Units	10,170 units
Total Leasable Area	423,076.61 m ²
Total Assets	237,934 million yen
Portfolio Size *1	229,981 million yen
Net Assets	117,789 million yen
Number of Outstanding Units Issued	373,870 units
Net Assets per Unit	299 thousand yen
NAV per Unit	326 thousand yen
Occupancy Rate (average during the period)	96.5%
Total Interest-bearing Liabilities	121,666 million yen
LTV *2	51.1%

17th Fiscal period (as of August 31, 2014)

134 Properties
10,390 units
446,112.78 m²
238,092 million yen
235,361 million yen
111,622 million yen
373,870 units
298 thousand yen
339 thousand yen
96.5%
121,666 million yen
51.1%

Variation

+2 Properties
+220 units
+23,036.17 m ²
+157 million yen
+5,380 million yen
(166) million yen
(0) thousand yen
+12 thousand yen

Rating Agency	Type	Rating
Rating and Investment Information, Inc. (R&I)	Issuer rating	A+ (Stable)
Japan Credit Rating Agency, Ltd. (JCR)	Long-Term Senior Debt Rating	AA- (Stable)

Type	Rating
Issuer rating	A+ (Stable)
Long-Term Senior Debt Rating	AA- (Stable)

*1) Purchase price basis; same as below *2) LTV (loan-to-value) = interest-bearing liabilities at end of fiscal period / total assets at end of fiscal period × 100

External Growth

■ External growth achievements

Steady acquisition of properties centered on sponsor group

【Portfolio Size】

	16th Fiscal Period (as of Feb. 28, 2014)	17th Fiscal Period (as of Aug. 31, 2014)	Sep. 30, 2014
Number of properties	132 properties	134 properties	136 properties
Portfolio size	¥229.9 billion	¥235.3 billion	¥237.6 billion

Properties Acquired in 17th Fiscal Period (ended Aug. 2014)

Property Name	Acquisition Date	Acquisition Price (million yen)
<u>Royal Parks Wakabadai</u>	March 28, 2014	4,360
Morino Tonari	July 1, 2014	1,020
Total of 2 Properties		5,380

Properties Acquired in 18th Fiscal Period (ending Feb. 2015)

DHI acquired “Aburatubo Marina HILLS” as its second portfolio property of senior housing.

Property Name	Acquisition Date	Acquisition Price (million yen)
<u>Aburatsubo Marina HILLS</u>	September 1, 2014	1,100
Castalia Meguro Tairamachi	September 26, 2014	1,165
Total of 2 Properties		2,265

*Items in **bold and underlined** are acquisitions from Daiwa House Industry.

The details are on page 8

Internal Growth

■ Rents at Tenant Replacement

Rents were falling after the Lehman crash but started rising in 16th fiscal period (ended February 2014) and also climbed by **¥754 thousand** in the 17th fiscal period (ended August 2014).

The details are on page 13

	15th Fiscal Period (as of Aug. 31, 2013)	16th Fiscal Period (as of Feb. 28, 2014)	17th Fiscal Period (as of Aug. 31, 2014)
Rent Increases / Reductions	¥(2,198) thousand	+ 140 thousand	+ 754 thousand

■ Occupancy Rate

Although occupancy in 23 wards of Tokyo was weak, in other areas there was a high occupancy rate (average occupancy rate in the fiscal period of **96.5%**), and the overall target was achieved.

	15th Fiscal Period (as of Aug. 31, 2013)	16th Fiscal Period (as of Feb. 28, 2014)	17th Fiscal Period (as of Aug. 31, 2014)
Occupancy Rate (End of Fiscal Period)	96.7%	96.8%	96.7%

The details are on page 12

■ NOI yeilds

Thanks to rationalizing and modeling restoration costs, repair expenses and other works, improvement in the NOI yield continued, a yield of **5.49%** was secured (against an initial forecast of 5.45%) and distributions exceeded forecasts.

	15th Fiscal Period (as of Aug. 31, 2013)	16th Fiscal Period (as of Feb. 28, 2014)	17th Fiscal Period (as of Aug. 31, 2014)
NOI yeild	5.42%	5.59%	5.49%

The details are on page 14

Seventeenth Fiscal Period (ended August 2014) Results

(unit: million yen)

	16th Actual (ended Feb. 2014)	17th Forecast (*) (ended Aug. 2014)	17th Actual (ended Aug. 2014)	16th Actual Comparison		17th Forecast Comparison	
				Variation	Ratio	Variation	Ratio
Management Period	181 days	184 days	184 days				
Operating Revenue	8,316	8,570	8,578	+261	+3.1%	+7	+0.1%
Operating Expenses	4,756	4,745	4,671	(84)	(1.8)%	(73)	(1.5)%
Expenses related to rent business	3,545	3,815	3,769	+224	+6.3%	(46)	(1.2)%
Loss from disposal of properties	385			(385)			
Other expenses	826	929	902	+76	+9.2%	(27)	(2.9)%
Operating Income	3,559	3,825	3,906	+346	+9.7%	+80	+2.1%
[Operating Income excl. gain and loss from disposition of properties]	[3,945]	[3,825]	[3,906]	[(39)]	[(1.0)%]	[+80]	[+2.1%]
Ordinary Income	2,704	3,001	3,082	+377	+14.0%	+80	+2.7%
Net Income	2,703	3,000	3,081	+377	+14.0%	+80	+2.7%
Reversal of Retained Earnings	(544)	(165)	(166)				
Total Distributions	3,248	3,166	3,247	(0)	(0.0)%	+80	+2.6%

- As a result of property acquisitions, operating revenue increased for 3 consecutive fiscal periods.
- Although expenses increased due to an increase in properties, loss from disposition of properties stopped, leading to an increase in operating income, while recording of costs for capital increase through public offering stopped, leading to increases in ordinary income through net income.

<Per unit Information>

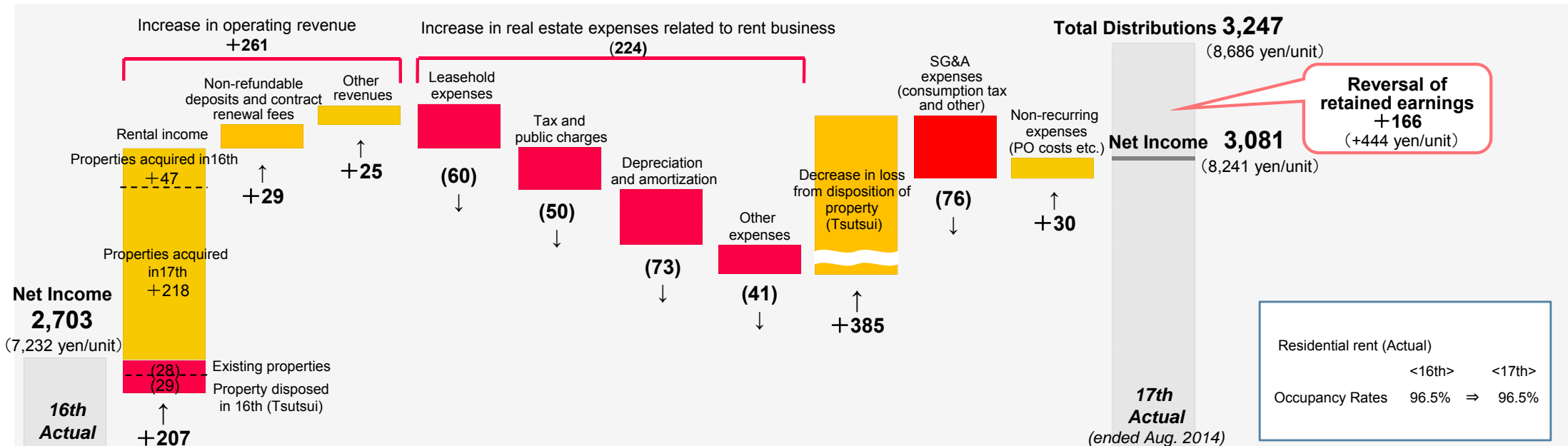
Net Income per Unit	7,232 yen	8,026 yen	8,241 yen	+1,009 yen	+14.0%	+215 yen	+2.7%
Net Income per Unit excluding gain and loss from disposition of properties	8,263 yen	8,026 yen	8,241 yen	(22) yen	(0.3)%	+215 yen	+2.7%
Reversal of Retained Earnings per Unit	(1,455) yen	(444) yen	(444) yen	+1,011 yen	(69.5)%		
Distribution per Unit	8,688 yen	8,470 yen	8,686 yen	(2) yen	(0.0)%	+216 yen	+2.6%
[Outstanding Units issued at end of fiscal period]	[373,870 units]	[373,870 units]	[373,870 units]				

*) Forecasts for the 17th fiscal period announced on April 10, 2014.

Analysis of Comparison with Previous Fiscal Period and Variance Against Forecast of Net Income in Seventeenth Fiscal Period (ended August 2014)

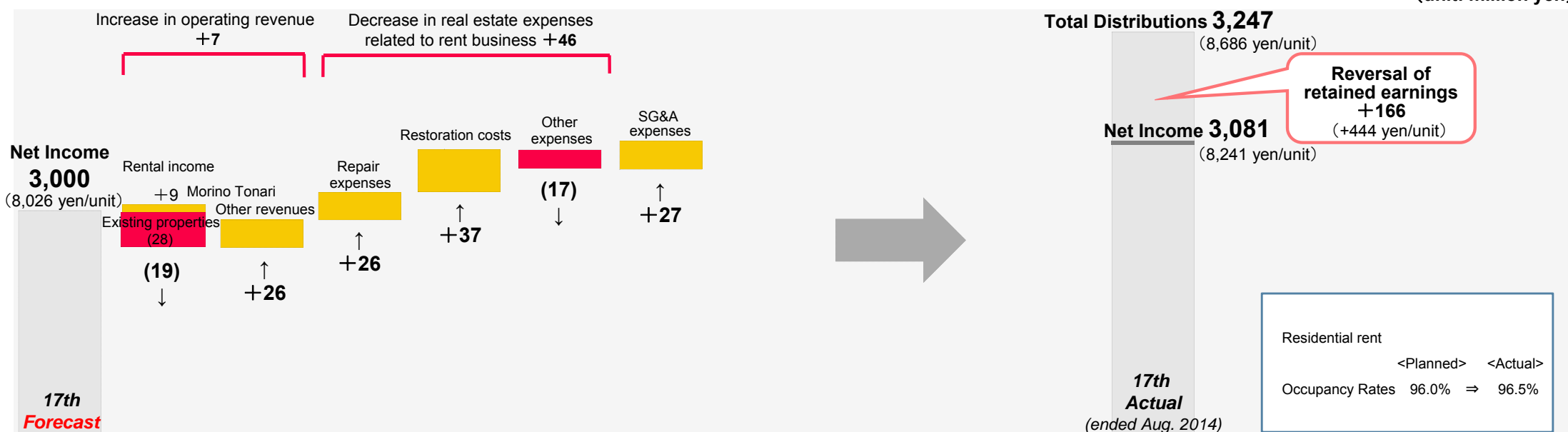
Variance Analysis Comparison with Previous Fiscal Period for Net Income

(unit: million yen)



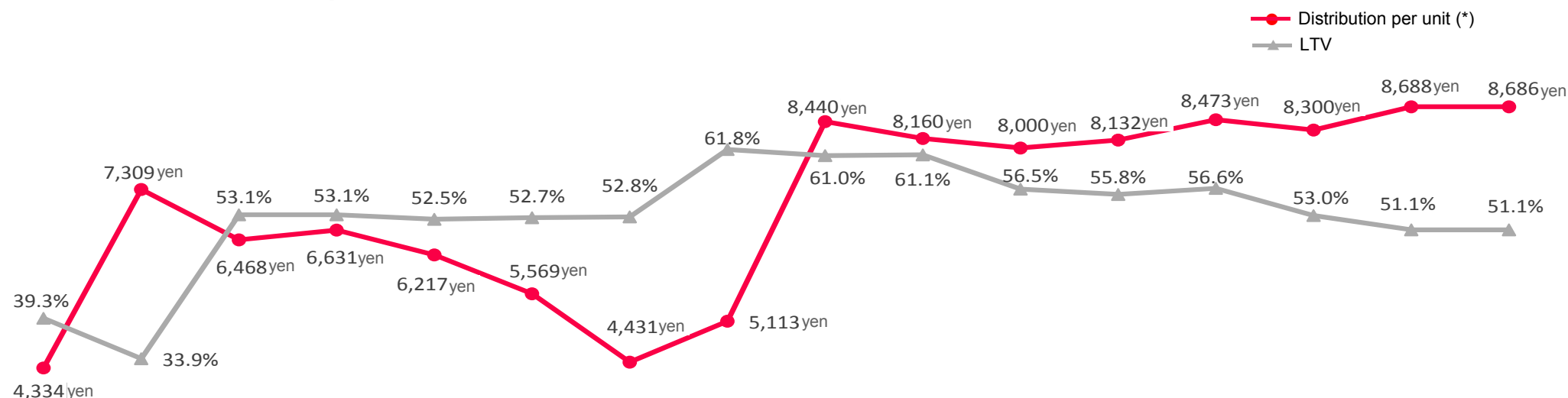
Variance Analysis Against Forecast for Net Income

(unit: million yen)

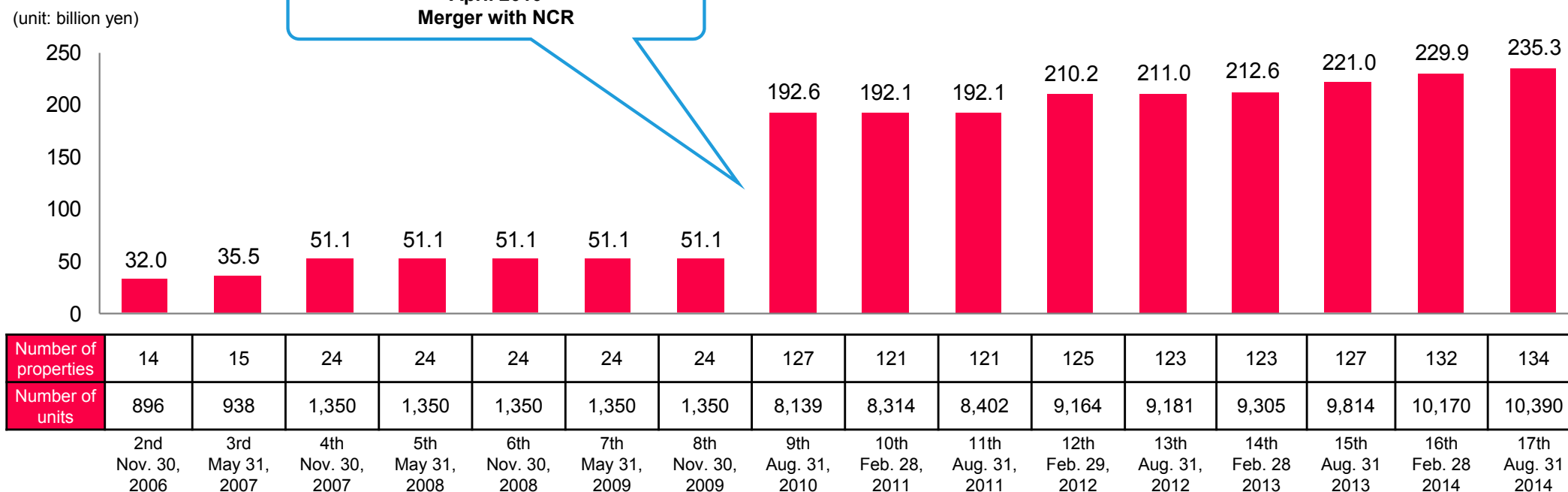


External Growth (1) Portfolio Size, Distribution and LTV

Portfolio Size, Distribution per unit and LTV trend



April 2010
Merger with NCR



Number of properties	14	15	24	24	24	24	24	127	121	121	125	123	123	127	132	134
Number of units	896	938	1,350	1,350	1,350	1,350	1,350	8,139	8,314	8,402	9,164	9,181	9,305	9,814	10,170	10,390
	2nd Nov. 30, 2006	3rd May 31, 2007	4th Nov. 30, 2007	5th May 31, 2008	6th Nov. 30, 2008	7th May 31, 2009	8th Nov. 30, 2009	9th Aug. 31, 2010	10th Feb. 28, 2011	11th Aug. 31, 2011	12th Feb. 29, 2012	13th Aug. 31, 2012	14th Feb. 28, 2013	15th Aug. 31, 2013	16th Feb. 28, 2014	17th Aug. 31, 2014

*) DHI implemented a 2-for-1 split of investment units on March 1, 2013. In order to factor in the impact of this split, distribution per unit for the 2nd fiscal period through to the 14th fiscal period have been divided by two.

// Asset Replacement Results since April 2010

12 properties (total acquisition price of ¥37.9 billion) were acquired from the Daiwa House Group (red text) (51.6% based on an acquisition price).

(unit: million yen)

	Fiscal Period	Property Acquired	Acquisition Date	Acquisition Price ①	Appraisal Value ②	②-①	NOI Yield (*1)	Age of Property (*2)	Total Units
Acquisition	9th Fiscal Period (ended Aug. 2010)	Castalia Ichigaya	2010/ 6/29	940	1,210	270	6.9%	1.8	50
		Castalia Nakanobu	2010/ 6/29	1,790	2,170	380	6.5%	2.1	83
	10th Fiscal Period (ended Feb. 2011)	Royal Parks Toyosu	2010/11/ 1	7,360	7,550	190	6.4%	3.7	276
		Castalia Togoshi	2010/11/ 1	1,770	2,130	360	6.8%	2.7	120
		Big Tower Minami Sanjo	2010/11/ 1	1,740	2,130	390	7.9%	3.2	179
		Castalia Fushimi	2011/ 1/14	2,260	2,490	230	7.1%	4.3	123
	11th Fiscal Period (ended Aug. 2011)	Castalia Ooimachi	2011/ 6/30	1,181	1,200	19	5.6%	0.3	65
		Castalia Meieki Minami	2011/ 8/ 1	720	757	37	6.5%	4.6	70
		Castalia Omori	2011/ 8/ 2	1,500	1,600	100	6.0%	4.4	60
	12th Fiscal Period (ended Feb. 2012)	Castalia Yakuin	2011/ 9/26	930	951	21	6.5%	5.6	118
		Royal Parks Hanakoganei	2011/10/ 7	5,300	5,560	260	6.7%	5.6	279
		Castalia Mishuku	2011/10/ 7	1,900	2,050	150	5.9%	4.6	53
		Shibaura Island Bloom Tower	2011/10/18	7,580	7,880	300	6.7%	3.1	213
		Castalia Hatsudai	2011/12/19	2,030	2,180	150	5.6%	5.1	81
		Castalia Mibu	2011/12/22	1,193	1,210	16	6.1%	3.8	78
	13th Fiscal Period (ended Aug. 2012)	Castalia Arakawa	2012/ 3/28	1,660	1,830	170	6.5%	5.1	70
		Castalia Omori II	2012/ 3/29	2,370	2,460	90	5.4%	3.1	112
	14th Fiscal Period (ended Feb. 2013)	Castalia Tsutsujigaoka	2012/ 9/ 3	1,209	1,320	111	6.9%	3.6	84
		Castalia Nakameguro	2012/11/29	3,800	4,000	200	5.2%	4.8	101
	15th Fiscal Period (ended Aug. 2013)	Castalia Ohori Bay Tower	2013/ 3/25	2,910	3,520	610	7.5%	6.5	215
		Royal Parks Namba	2013/ 3/29	2,830	2,940	110	7.1%	7.1	162
		Urban Living Inage	2013/ 6/24	930	978	48	7.4%	4.3	(*4) 1
		Castalia Shigahondori	2013/ 6/26	1,730	1,860	130	6.6%	5.4	128
	16th Fiscal Period (ending Feb. 2014)	Castalia Hatsudai II	2013/ 9/27	1,900	2,030	130	5.3%	5.7	56
		Castalia Ebisu	2013/ 9/27	1,420	1,520	100	5.2%	5.9	36
		Castalia Meguro Choijamaru	2013/ 9/27	2,030	2,150	120	5.1%	5.6	61
		Castalia Meguro Takaban	2013/ 9/27	1,750	1,790	40	5.3%	44.1	55
		Castalia Omori III	2013/ 9/27	1,520	1,660	140	5.5%	5.6	74
		Castalia Musashikosugi	2013/ 9/27	1,680	1,750	70	5.6%	5.8	85
	17th Fiscal Period (ending Aug. 2014)	Royal Parks Wakabadai	2014/ 3/28	4,360	4,550	190	7.0%	4.4	192
		Morino Tonari	2014/7/1	1,020	1,100	80	5.2%	6.0	28
	18th Fiscal Period (ending Feb. 2015)	Aburatsubo Marina HILLS	2014/9/1	1,100	1,170	70	7.2%	6.4	(*4) 1
		Castalia Meguro Tairamachi	2014/9/26	1,165	1,220	55	4.9%	0.6	38
	Total/ Average of 33 properties (*3)			73,577	78,916	5,338	6.3%	5.4	3,347
Dispose	9th – 17th Fiscal Period			Book Value ① (*5)	Disposition Price ② (*6)	②-①	NOI Yield (*7)	Age of Property (*8)	Total Units
	Total / Average of 26 Properties			26,282	26,325	43	5.9%	9.2	1,042

*1) (Net rental income in the real estate appraisal report at the time of purchase / acquisition price)

*2) Age of property as of the acquisition date rounded to one decimal place.

*3) Weighted average NOI yield and age by acquisition price of each property.

*4) Although DHI owns 100 units (Urban Living Inage) and 106 units (Aburatsubo Marina HILLS), all of them are leased to a tenant collectively and listed as one unit.

*5) Book value as of the end of the fiscal period previous to the period in which the disposition occurred.

*6) Disposition-related expenses are not taken into account.

*7) (Total of NOI over the last two fiscal periods / acquisition price)

*8) Weighted average age of property as of the disposition date by acquisition price of each property, rounded off to one decimal place

*9) Partial dispose of land at Aprile Tarumi and Foleo Town Tsutsui is not included.

Property Acquired in 17th Fiscal Period (ended Aug. 2014)



< Royal Parks Wakabadai >

Location	Ingagi city, Tokyo
Structure · Floor	RC, 14F(Residential) S, 3F (Retail)
Completion	November, 2009
NOI yield (*)	7.0%
Acquisition Date	March 28, 2014
Acquisition Price	4,360 million yen
Seller	Daiwa House Industry Co., Ltd.



< Morino Tonari >

Location	Shinagawa ward, Tokyo
Structure · Floor	RC, 3F / B1F
Completion	June, 2008
NOI yield (*)	5.2%
Acquisition Date	July 1, 2014
Acquisition Price	1,020 million yen
Seller	Daiichi Koutsu Sangyo Co., Ltd.

Property Acquired in 18th Fiscal Period (ending Feb. 2015)



< Aburatsubo Marina HILLS >

Location	Miura city, Kanagawa
Structure · Floor	S, 5F
Completion	April, 2008
NOI yield (*)	7.2%
Acquisition Date	September 1, 2014
Acquisition Price	1,100 million yen
Seller	Daiwa House Industry Co., Ltd.



< Castalia Meguro Tairamachi >

Location	Meguro ward, Tokyo
Structure · Floor	RC, 5F
Completion	March, 2014
NOI yield (*)	4.9%
Acquisition Date	September 26, 2014
Acquisition Price	1,165 million yen
Seller	Company engaged in general business in Japan

*) Net rental income shown in the real estate appraisal report at the time of purchase / acquisition price

External Growth (4) Initiatives in Senior Housing

// Initiatives in Senior Housing

**Increase in
Elderly Population**

**Support Measures from
Abenomics Growth Strategy**

**Support Measures from Ministry of Land,
Infrastructure, Transport and Tourism**

- The medical and nursing care field has been selected as an important theme in the Abenomics growth strategy (Japan Revitalization Strategy) and the elderly market is expected to grow in line with the increase in the elderly population.
- With support from Daiwa House Industry such as in the development, management and operation of senior housing (serviced senior housing, private nursing homes, etc.) and supplementation of credit of operators, DHI intends to carry out moderate investment in senior housing, making it approximately 5% of its total portfolio with a maximum amount of ¥10 billion.

// First Portfolio Property of Senior Housing Acquired in June 2013 (Urban Living Inage)

Location	Inage Ward, Chiba City, Chiba
Structure · Floor	S、4F
Completion Date	March, 2009
Establish Date	May, 2009
Leasable Units	100 units
Acquisition Date	June 24, 2013
Acquisition Price	930 million yen
Seller	Daiwa House Industry Co., Ltd.
NOI yield (*)	7.4%



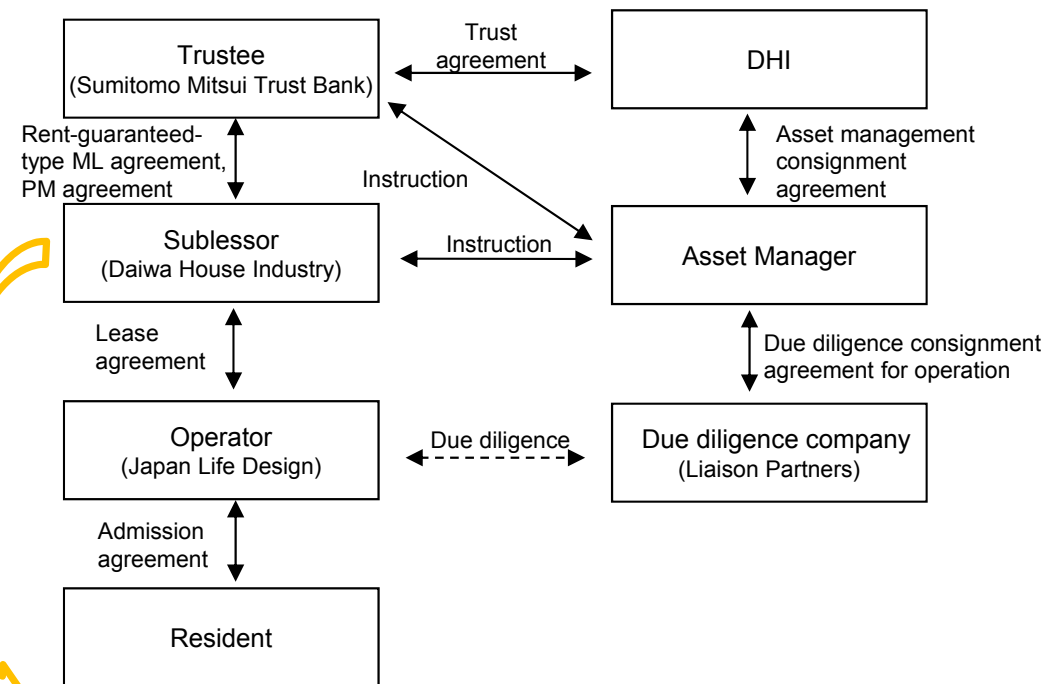
// Second Portfolio Property of Senior Housing Acquired in September 2014 (Aburatsubo Marina HILLS)

Location	Miura city, Kanagawa
Structure · Floor	S、5F
Completion Date	April, 2008
Establish Date	June, 2008
Leasable Units	106 units
Acquisition Date	September 1, 2014
Acquisition Price	1,100 million yen
Seller	Daiwa House Industry Co., Ltd.
NOI yield (*)	7.2%



(*) Net rental income shown in the real estate appraisal report at the time of purchase / acquisition price

【 Flow Chart of Scheme of Urban Living Inage and Aburatsubo Marina HILLS 】



Daiwa House Industry provides support in managing and operating the property as the property management company. Furthermore, through the conclusion of a rent-guaranteed-type master lease agreement with Daiwa House Industry, DHI will be able to secure stable revenue over the long term from the 2 properties shown on the left.

// Properties in Sponsor Pipeline

■ Expanding DHI's asset portfolio through property developed by the Daiwa House Industry

Developed properties currently in operation
<p>■ Rental housing (properties available for sale) ⇒ ¥16.8 billion (Based on book value as of June 30, 2014)</p>

Source: "Financial Highlights for FY2014 1Q" of Daiwa House Industry

【Properties under development by the Daiwa House Industry】

⑤ Royal Parks ER Sasashima

Site area: 7,686m²
(allocated land, provisional)
Total floor area: 46,067.92m²
Structure: RC, 19F
Start date: May 2013
Completion date: March 2015 (planned)
Usage: Apartment complex; 430 units,
Nursing home; 66 units
Baby home, Day service,
Convenience store, Shared house



⑦ Chuo Ward Project, Fukuoka

Start date: July 2012
Completion date: Nov. 2014
(planned)
Number of units : 98 units

⑥ Naka Ward Project, Nagoya

Start date: Sep. 2014
Completion date: Jan. 2016
(planned)
Number of units : 86 units

【Senior Housing】

① Utsunomiya Project
(Served Senior Housing)
Start date: Oct. 2014 (planned)
Completion date: Sep. 2015 (planned)
Number of units : 77 units

② Nerima Takamatsu Project
(Assisted-Living Pay Nursing Home)
Start date: Feb. 2014
Completion date: Feb. 2015 (planned)
Number of units : 100 units

① Roygent Ningyo-cho
Completion date: Oct. 2014 (planned)
Number of units : 73 units

② Roygent Shinbashi
Completion date: Sep. 2014
Number of units : 53 units

③ Castalia Honkomagome
Completion date: Mar. 2014
Number of units : 67 units

④ L PLACE Shin koyasu
Completion date: Aug. 2014
Number of units : 115 units

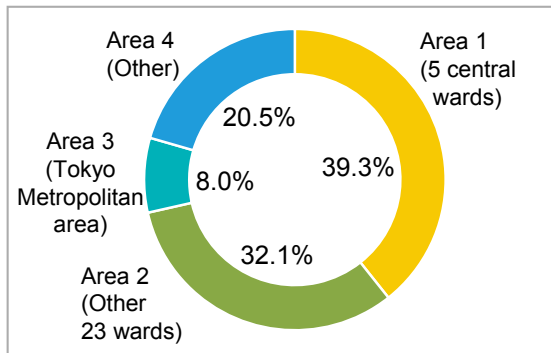
*) As of the date of this document, no decision had been reached by DHI regarding the above properties.

Portfolio Distribution (Residence)

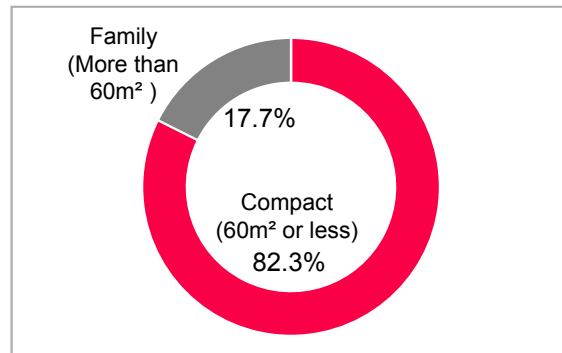
// Portfolio Distribution (as of August 31, 2014)

- Continued investment particularly in Tokyo Metropolitan area, where population growth is expected, and investment in major regional cities, where populations are expected to be concentrated
- Investment primarily in compact types (60m² or less:82%) with monthly rents of less than ¥200,000 per unit per month (88%), with relatively low total rents and more stable occupancy rates and rent levels

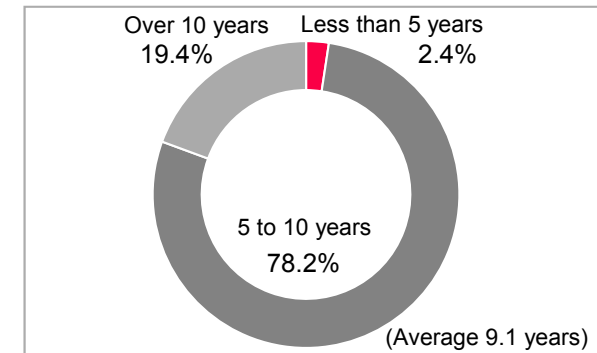
By Area



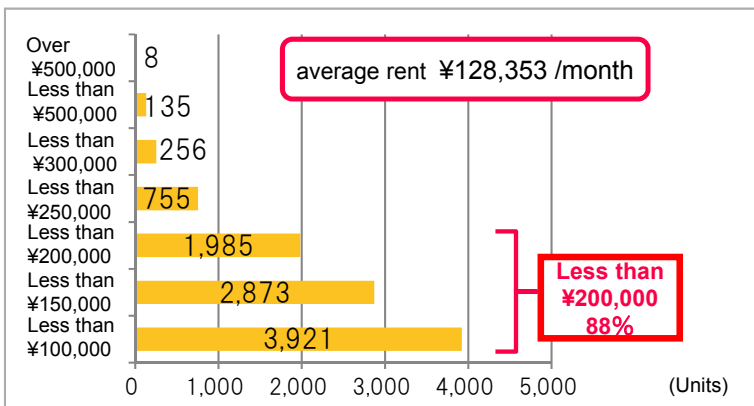
By Type



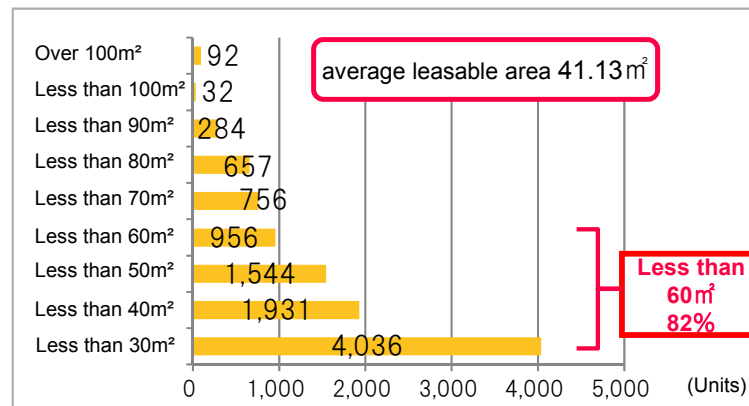
By Age of Property



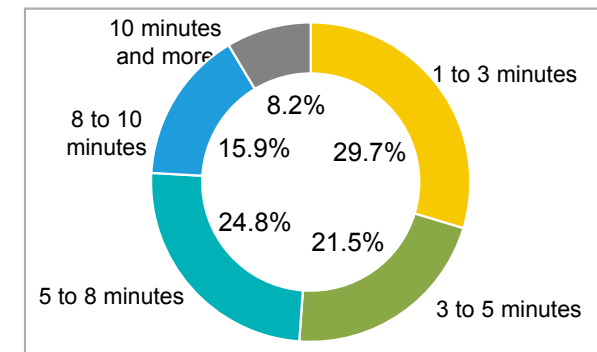
Monthly Rent Range



Leasable Area Range



Walking Distance from Station



*1) Value by area and by age of property is calculated based on acquisition prices. Value by type is calculated based on the number of residential units in each classification.

*2) Areas are defined as follows: (1) 5 central wards (Area 1): Chiyoda Ward, Chuo Ward, Minato Ward, Shibuya Ward and Shinjuku Ward, (2) Other 23 wards (Area 2): 23 wards of Tokyo excluding Area 1, (3) Tokyo Metropolitan area (Area 3): Tokyo excluding Area 1 and Area 2, Kanagawa Prefecture, Saitama Prefecture and Chiba Prefecture, and (4) Other (Area 4): Other cities with populations of more than approx. 100,000

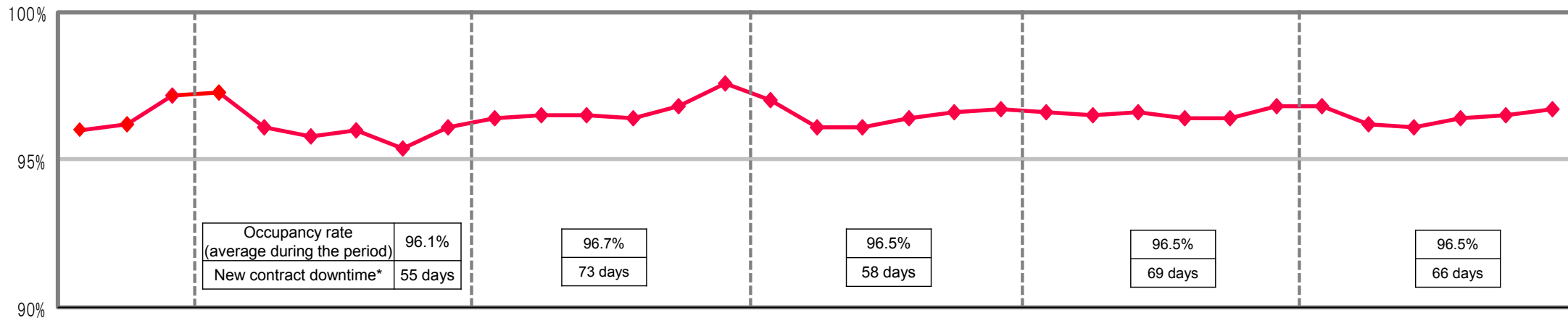
*3) Types are defined as follows: Compact: leasable area of less than 60m² / Family: leasable area of over 60m²

*4) "Monthly rents" is defined as monthly rents for 134 residential units (excluding Urban Living Inage, stores) described on lease agreements concluded with end tenants and in force as of August 31, 2014 (including common service fees, but not usage fees for attached facilities such as monthly parking bays and storage rooms, and consumption taxes); for rent guarantee properties with master leases, monthly rent for each unit is calculated by equally apportioning the monthly master rent to each unit based on floor area.

*5) Senior Housing is not included in calculations of investment ratio by area, type, age, walking distance, monthly rent or leasable area.

Internal Growth (1) Occupancy Rate Trend

// Portfolio Occupancy Rate since 2011



*) "New contract downtime" relates to new contract residential units (including stores) of residential properties in each period and is measured by the average number of days during the period beginning from the cancellation date of the former contract and ending when lease of the new contract commenced.

10th	11th	12th	13th Fiscal Period (August 2012)							14th Fiscal Period (February 2013)							15th Fiscal Period (August 2013)							16th Fiscal Period (February 2014)							17th Fiscal Period (August 2014)						
------	------	------	-------------------------------------	--	--	--	--	--	--	---------------------------------------	--	--	--	--	--	--	-------------------------------------	--	--	--	--	--	--	---------------------------------------	--	--	--	--	--	--	-------------------------------------	--	--	--	--	--	--

Feb. 2011	Aug.	Feb. 2012	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan. 2013	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan. 2014	Feb.	Mar.	Apr.	May	June	July	Aug.
--------------	------	--------------	------	------	-----	------	------	------	------	------	------	------	--------------	------	------	------	-----	------	------	------	------	------	------	------	--------------	------	------	------	-----	------	------	------

Total		96.0%	96.2%	97.2%	97.3%	96.1%	95.8%	96.0%	95.4%	96.1%	96.4%	96.5%	96.5%	96.4%	96.8%	97.6%	97.0%	96.1%	96.1%	96.4%	96.6%	96.7%	96.6%	96.5%	96.6%	96.4%	96.4%	96.8%	96.8%	96.2%	96.1%	96.4%	96.5%	96.7%
Residential	Area1	94.3%	94.1%	96.3%	96.5%	94.7%	94.9%	95.1%	93.8%	94.8%	95.4%	95.7%	95.5%	95.1%	95.8%	96.9%	96.1%	95.0%	95.3%	96.1%	96.3%	96.6%	95.7%	95.9%	96.7%	96.6%	96.2%	96.3%	96.2%	95.1%	94.7%	95.4%	95.2%	95.7%
	Area2	96.6%	96.5%	97.5%	97.1%	96.0%	95.3%	96.1%	96.3%	96.9%	96.6%	96.4%	96.1%	96.4%	96.9%	97.9%	97.0%	96.6%	96.5%	96.5%	96.2%	96.3%	96.9%	96.6%	96.4%	96.1%	96.5%	96.8%	96.9%	96.2%	95.8%	95.5%	95.6%	95.4%
	Area3	97.0%	97.6%	99.1%	99.6%	98.7%	98.8%	98.8%	98.7%	98.6%	99.0%	99.3%	99.6%	99.4%	99.6%	99.5%	99.6%	99.1%	99.5%	99.3%	99.6%	99.9%	99.3%	99.2%	99.0%	98.2%	98.5%	98.5%	99.3%	99.0%	99.1%	99.2%	99.2%	99.2%
	Area4	96.6%	97.2%	97.1%	97.5%	96.7%	96.1%	95.8%	95.3%	95.8%	96.3%	96.5%	96.7%	96.7%	97.0%	97.5%	97.1%	95.9%	95.6%	95.7%	96.1%	96.2%	96.1%	96.0%	95.9%	96.0%	96.0%	96.8%	96.2%	96.0%	96.3%	96.7%	97.1%	97.5%
	Retail	100%	100%	100%	100%	100%	100%	100%	98.2%	98.2%	98.2%	98.2%	98.2%	98.2%	97.1%	97.1%	97.1%	97.1%	97.1%	100%	100%	100%	100%	100%	100%	-	-	-	-	-	-	-	-	-

Internal Growth (2) Rents at Tenant Replacement

Number and Ratio of Units with Rent Increases / Reductions and Rent Levels at the time of Tenant Replacement

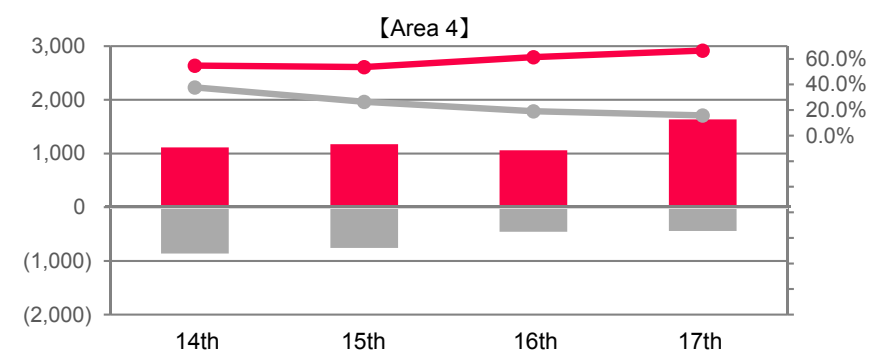
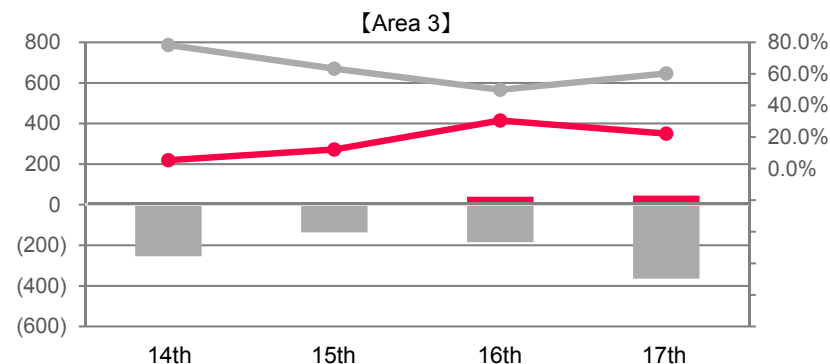
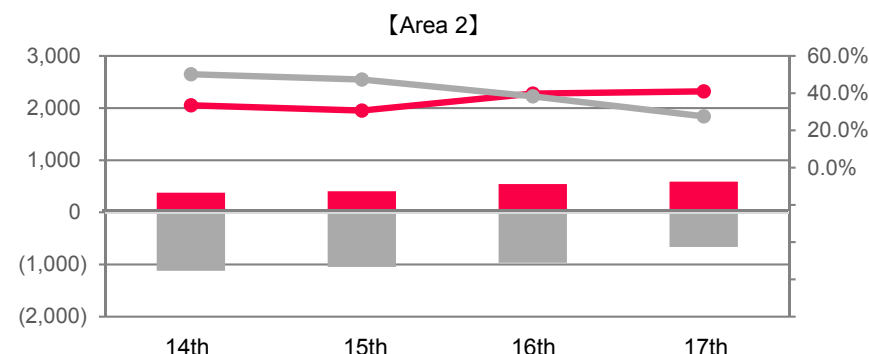
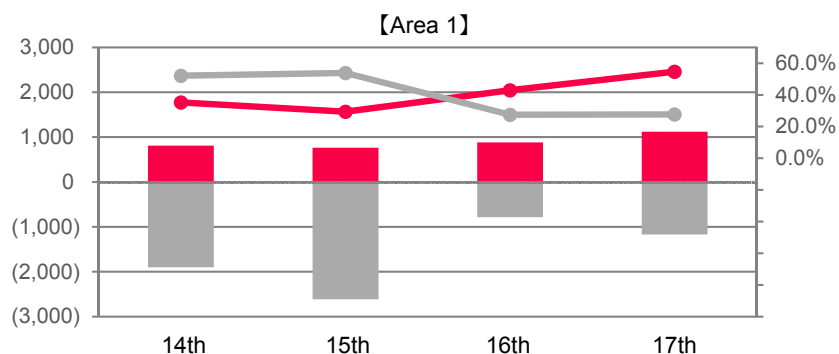
- In the current portfolio, during 6 months approximately 1,000 tenants were replaced, resulting in a **rent rise of ¥754 thousand** in the replacements for the 17th fiscal period.

Fiscal Period		14th Fiscal Period (ended Feb. 2013)			15th Fiscal Period (ended Aug. 2013)			16th Fiscal Period (ended Feb. 2014)			17th Fiscal Period (ended Aug. 2014)		
		Units	Ratio	Amount (thousand yen)	Units	Ratio	Amount (thousand yen)	Units	Ratio	Amount (thousand yen)	Units	Ratio	Amount (thousand yen)
All properties	Rent increase	347	39.2%	2,310	385	38.2%	2,353	432	47.9%	2,529	585	54.3%	3,393
	Rent reduction	429	48.5%	(4,135)	427	42.4%	(4,552)	259	28.7%	(2,389)	267	24.8%	(2,639)
	No change	109	12.3%	—	196	19.4%	—	211	23.4%	—	226	21.0%	—
	Not determined *	17	—	—	47	—	—	29	—	—	15	—	—
	Total	902	100.0%	(1,825)	1,055	100.0%	(2,198)	931	100.0%	140	1,093	100.0%	754
	Rent increase / reduction												

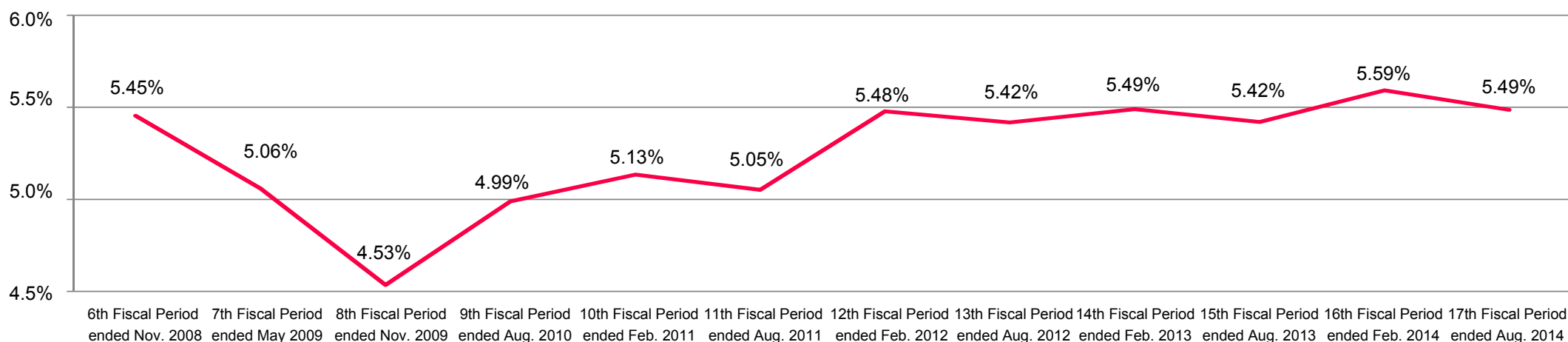
*) "Not determined" refers to contracts where comparisons are not meaningful due to changes in contract type (normal contracts, fixed-lease contracts), and contracts for properties previously owned by NCR or for newly acquired properties where comparisons are not meaningful because previous rents are unknown.

Amount and Ratio of Rent Increases and Reductions (by Area)

■ Rent increase amount (unit: thousand yen) ■ Rent reduction amount (unit: thousand yen) ● Rent increase ratio (right axis) ● Rent reduction ratio (right axis)



// Portfolio NOI yield Trend



*) Portfolio NOI yield (%) =
$$\frac{\text{DHI rental NOI for the current fiscal period (rent revenue + other rent revenue - expenses related to rent business + depreciation and amortization)} \times 365 \text{ days / number of days in fiscal period}}{\text{Total of (acquisition cost} \times \text{number of days owned during fiscal period / number of days in fiscal period) for each owned property}} \times 100$$

// Action of Construction Technology Group

- Activities aimed at rationalizing restoration costs and repair expenses, maintaining and improving competitiveness of portfolio properties through preventive large-scale repairs, ensuring stable management of property assets, and others
- In the continued strategy of drafting accurate long-term repair plans by implementing building inspections, at the end of August 2014, repair plans had been completed for 103 properties out of 134 properties.
- Achieve the best possible outcomes for short-term costs and functions by modeling restoration work, repair work and other work, and constantly reviewing facility maintenance and management operations

// Realize Reductions in Restoration Costs and Repair Expenses

Realize reductions in expenses through rationalization (review of construction scope, strengthening examination of equipment unit prices, on-site confirmation of places to be renovated by asset manager, etc.), modeling, etc. of restoration costs and repair expenses

// Start of Implementation of Preventive Long-Term Repair Plans

The implementation of long-term repair plans is accelerated from the 18th fiscal period (ending February 2015) because the NOI yield continued to improve, enabling preventive long-term repairs while maintaining the level of distributions.

« Implementing Upgrade Work »

■ Castalia Tower Shinagawa Seaside

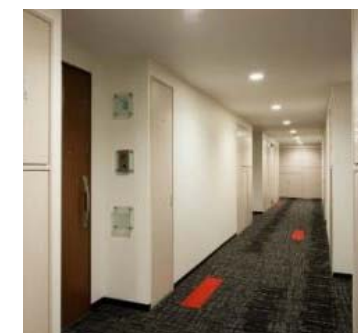
Refurbishment of common areas (Upgrade work to boost brand value)

Plan to improve tenant satisfaction by renovating entrance hall, elevator hall and corridors in common areas

< Before refurbishment >



< After refurbishment >



Financial Conditions (1) Financial Strategy and Debt Costs

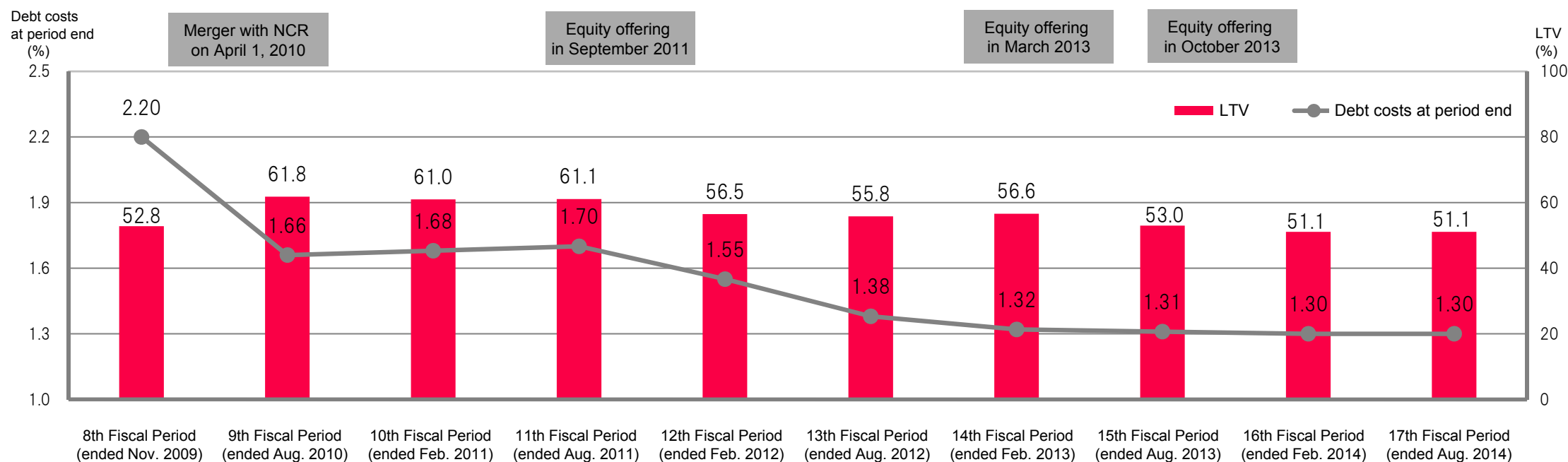
// Financial Strategy

- Establish a bank formation with financial institutions that have close relationships with Daiwa House
- Control LTV within a conservative range of approximately 50% to 55%
- Focus on extending loan terms and reducing debt costs, and use a ¥10 billion commitment line to support flexible property acquisition

// Improvements in the Financial Position during the 17th Fiscal Period (ended August 2014)

- As 2 properties acquired in the 17th fiscal period (Wakabadai, Morino Tonari) were acquired with cash on hands, funds were not procured in this fiscal period. Consequently, the LTV level at the end of the period was unchanged from the previous period.
End of 16th 51.1% → End of 17th 51.1%
- In September 2014, DHI concluded a contract that revised the terms of its commitment line contract (extended one year).

// Transition of Debt Costs and LTV at the End of the Fiscal Period



*3) Excluding commitment line I

// Progress of Reducing Debt Costs

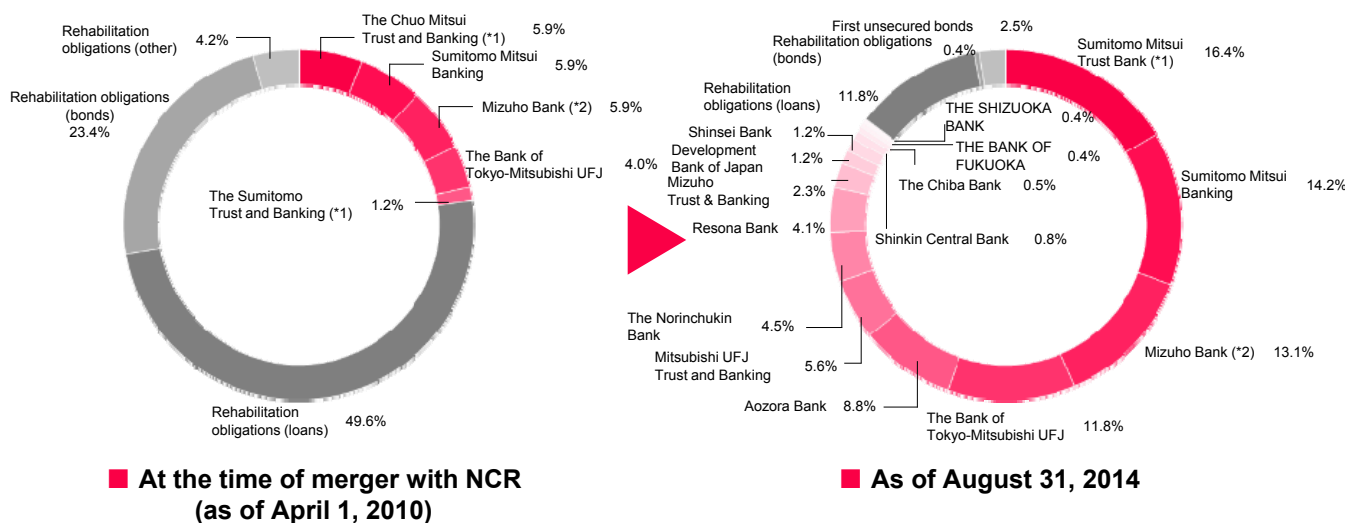
Date of refinancing	Amount refinanced (billion yen)	Change in debt costs (*1)	Debt costs per unit change (¥/ fiscal period) (*2)
December 2010	10.5	1.47% ► 1.79%	53
September 2011	31.8	1.93% ► 1.34%	(294)
March 2012	18.0	1.48% ► 1.31%	(47)
July 2012	12.4	2.24% ► 0.93%	(254)
January and February 2013	26.5	1.32% ► 1.04%	(119)
January 2014	3.5	1.28% ► 1.04%	(11)

*1) Base rate + spread + other financing related expenses

*2) Based on number of units outstanding at date of refinancing, taking into account the 2-for-1 split of investment units on March 1, 2013.

Financial Conditions (2) Composition of Loans

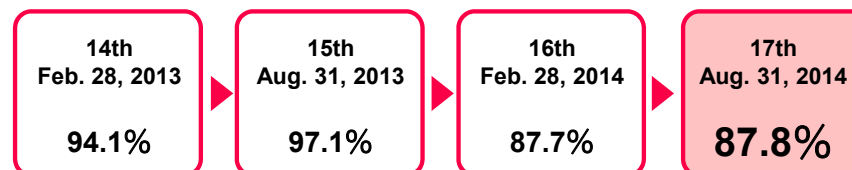
// Diversifying Sources of Financing



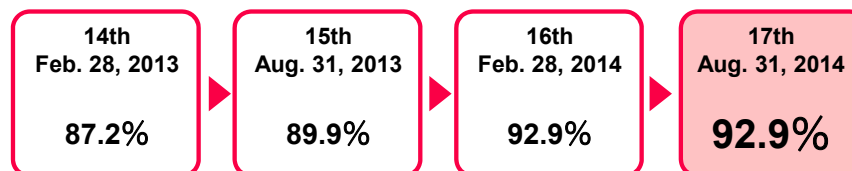
*1) The Chuo Mitsui Trust and Banking Co., Ltd., the Sumitomo Trust and Banking Co., Ltd. and Chuo Mitsui Asset Trust and Banking Co., Ltd. merged effective April 1, 2012 to form Sumitomo Mitsui Trust Bank, Limited.
*2) Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd. merged effective July 1, 2013 to form Mizuho Bank, Ltd.

// Loan Term and Fixed Rate Ratio

Increase in ratio of long-term debt



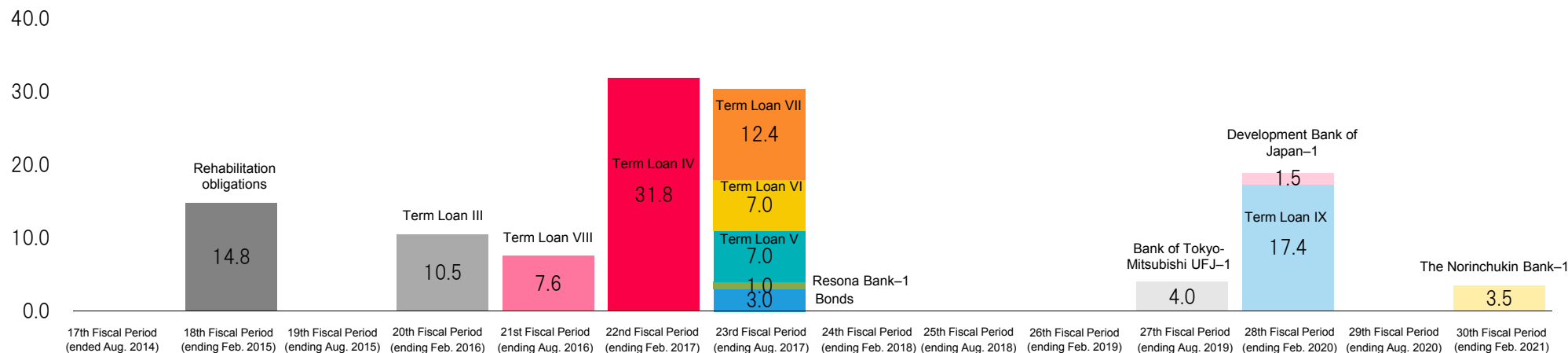
Increase in ratio of loans with fixed rates



// Debt Maturity

Average remaining term: (16th Fiscal Period) 3.17 years ▶ (17th Fiscal Period) 2.67 years

(unit: billion yen)



Financial Conditions (3) Status of Interest-bearing Debt

// Status of Interest-bearing Debt (as of September 30, 2014)

(unit: million yen)

Loans	Lenders	Balance	Interest Rate	Drawdown Date	Maturity	Duration	Description
Commitment Line I -6	4 financial institutions	800	0.64482% (Variable) < Spread 0.5% >	September 1, 2014	August 31, 2015	1 year	Unsecured
Commitment Line I -7	4 financial institutions	800	0.65085% (Variable) < Spread 0.5% >	September 26, 2014	September 25, 2015	1 year	Unsecured
Term Loan III	7 financial institutions	10,500	1.40% * (Fixed) < Spread 0.8% >	December 28, 2010	December 28, 2015	5 years	Unsecured
Term Loan IV	8 financial institutions	31,800	1.096% * (Fixed) < Spread 0.65% >	September 30, 2011	September 30, 2016	5 years	Unsecured
Term Loan V	4 financial institutions	7,000	1.025% * (Fixed) < Spread 0.6% >	March 27, 2012	March 31, 2017	5 years	Unsecured
Term Loan VI	3 financial institutions	7,000	1.025% * (Fixed) < Spread 0.6% >	March 27, 2012	March 31, 2017	5 years	Unsecured
Term Loan VII	4 financial institutions	12,400	0.69536% * (Fixed) < Spread 0.45% >	July 31, 2012	July 31, 2017	5 years	Unsecured
Term Loan VIII	8 financial institutions	7,600	0.44636% (Variable) < Spread 0.3% >	January 31, 2013	March 31, 2016	3.2 years	Unsecured
Term Loan IX	8 financial institutions	17,410	0.9585% * (Fixed) < Spread 0.5% >	January 31, 2013 February 28, 2013	January 31, 2020	6.11 years 7 years	Unsecured
Resona Bank-1	Resona Bank, Ltd.	1,095	0.81% (Variable) < Spread 0.6% >	March 26, 2012	March 31, 2017	5 years	Unsecured
Bank of Tokyo-Mitsubishi UFJ-1	Bank of Tokyo-Mitsubishi UFJ	4,000	1.07% (Fixed)	March 27, 2012	March 27, 2019	7 years	Unsecured
Development Bank of Japan Inc-1	Development Bank of Japan Inc.	1,500	0.96375% (Fixed)	January 31, 2013	January 31, 2020	7 years	Unsecured
Norinchukin Bank-1	Norinchukin Bank	3,500	0.89825% * (Fixed) < Spread 0.4% >	January 31, 2014	January 31, 2021	7 years	Unsecured
Bonds	First Series Unsecured Bonds	3,000	1.12% (Fixed)	March 9, 2012	March 9, 2017	5 years	Unsecured
Rehabilitation Obligations		14,861	1.72553% (Fixed) < Spread 1.1% >	January 5, 2010	January 30, 2015	5 years	Unsecured

Total Interest-bearing Debt
123,266

Refinancing scheduled for the 18th fiscal period (ending February 2015).
Aiming to cut debt costs to increase distributions.

*) The interest rate fixed in effect by the interest rate swap agreements.

Distribution Management (1) Stabilizing Distributions

Utilizing of Tax-Loss Carry-Forwards
¥44.5 billion
(as of August 31, 2014)



Utilizing of Retained Earnings
¥18.4 billion (*)
(as of August 31, 2014)

*) The amount of retained earnings indicates after a reversal of internal reserves.
The amount before a reversal is ¥18.5 billion.

// Accumulate Retained Earnings by Utilizing ¥44.5 billion Tax-Loss Carry-Forwards

- DHI succeeded tax-loss carry-forwards through the merger with NCR in 2010, which filed for civil rehabilitation
- J-REITs must distribute over 90% of their distributable income (J-REIT tax requirement)
- With the tax-loss carry-forwards, there will be no taxable profit until the fiscal period ending August 2018. As a result, DHI will not be taxed, even without over 90% distribution



**DHI is able to distribute retained earnings by utilizing tax-loss carry-forwards
when it realizes gain from property disposition**
**(Possible to increase distributions through reinvestment of cash generated
by gain from property disposition)**

// Retained Earnings (Reserved for Distribution)

- Total retained earnings (reserve for distribution) of ¥18.4 billion (amount after reversal of retained earnings in current fiscal period) currently held is accrued on top of the ¥19.0 billion gain on negative goodwill on the merger with NCR
- Because the amount is accumulated on the balance sheet as reserve for distribution, it can be used flexibly for future distributions.
Current balance of retained earnings **¥49,296 per unit**

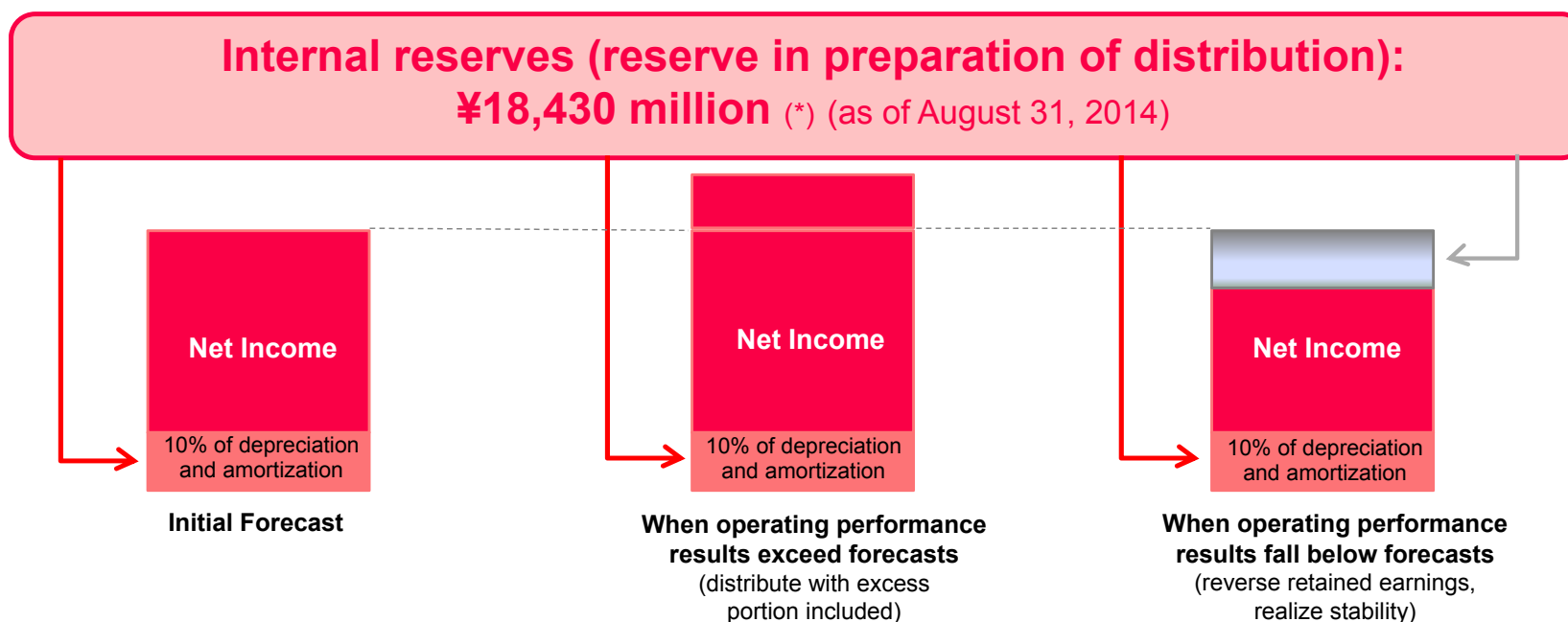
// Utilization of Retained Earnings

- DHI plans to reverse 10% of depreciation and amortization (*) from retained earnings to increase net income each fiscal period
⇒ **Increasing distributions**
- DHI shall reverse retained earnings for distributions in the event of extraordinary loss caused by loss from property disposition or other factors, or dilution of distribution due to new units issued through equity offering ⇒ **Stabilizing distributions**
- Retained earnings shall be reversed for distributions to cover any shortfall between DHI's forecasts ⇒ **Stabilizing distributions**

DHI's reversals of retained earnings are the reversal of the reserve for distribution, which does not correspond to the distribution of excess earnings (repayment of unitholders' capital)

*) The maximum amount shall be equivalent to depreciation and amortization after the deduction of capital expenditure.

// Diagram of New Distribution Policy

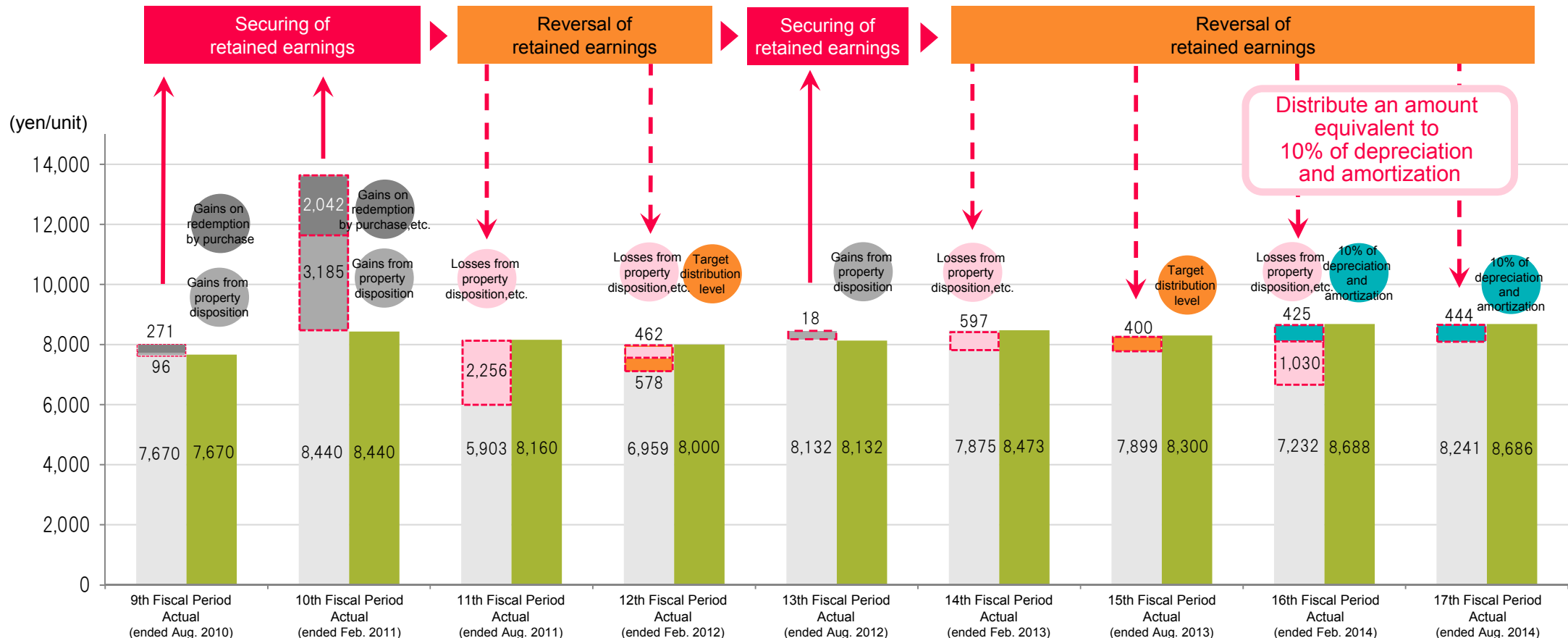


*) The amount indicates after a reversal of internal reserves. The amount before a reversal is 18,596 million yen.

Distribution Management (3) Utilization of Retained Earnings

// Measures to Stabilize Distributions

■ Net income per unit (excluding gains on redemption by purchase, gains from property disposition and gain on negative goodwill) (*2) ■ Distribution per unit (*2) □ Securing / reversal of retained earnings per unit (*2)



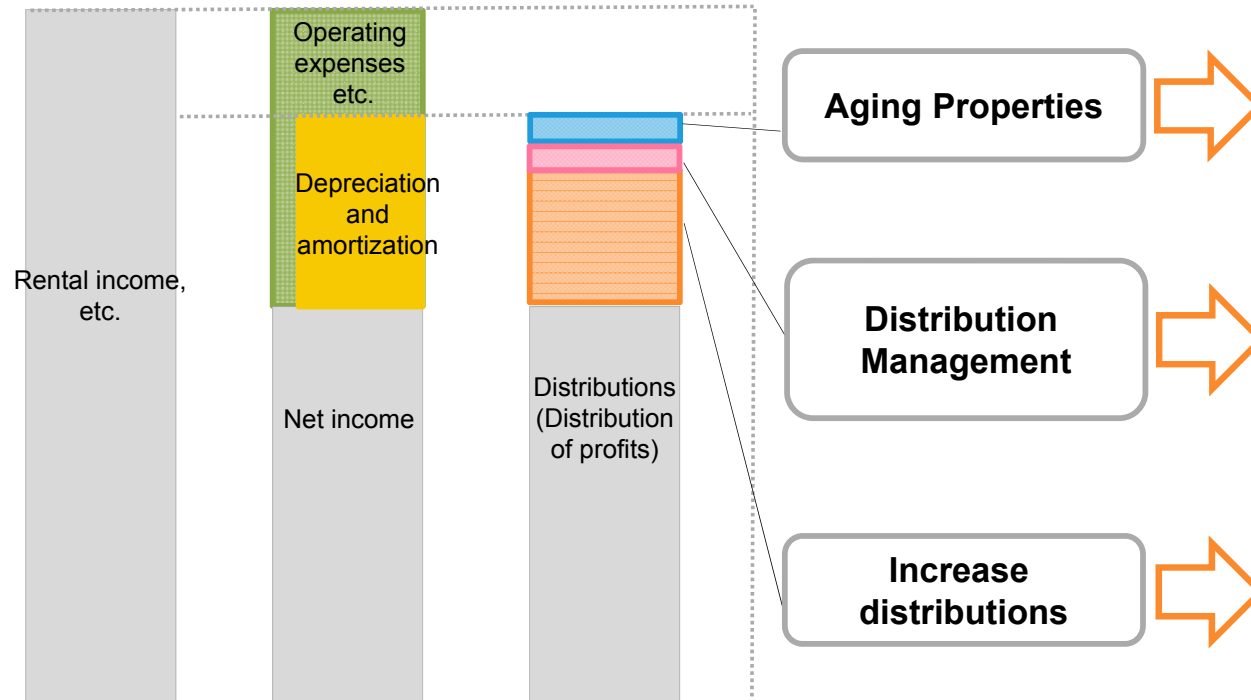
	9th Fiscal Period Actual (ended Aug. 2010)	10th Fiscal Period Actual (ended Feb. 2011)	11th Fiscal Period Actual (ended Aug. 2011)	12th Fiscal Period Actual (ended Feb. 2012)	13th Fiscal Period Actual (ended Aug. 2012)	14th Fiscal Period Actual (ended Feb. 2013)	15th Fiscal Period Actual (ended Aug. 2013)	16th Fiscal Period Actual (ended Feb. 2014)	17th Fiscal Period Actual (ended Aug. 2014)
Net income	*3) ¥1,909 million	¥3,245 million	¥1,401 million	¥2,234 million	¥2,616 million	¥2,528 million	¥2,779 million	¥2,703 million	¥3,081 million
Securing (reversal) of retained earnings	¥87 million	¥1,241 million	¥(535) million	¥(334) million	¥5 million	¥(191) million	¥(141) million	¥(544) million	¥(166) million
Total distributions	¥1,821 million	¥2,004 million	¥1,937 million	¥2,568 million	¥2,610 million	¥2,720 million	¥2,920 million	¥3,248 million	¥3,247 million

*1) The above graph shows net income per unit, distribution per unit, and securing / reversal of retained earnings per unit.

*2) DHI implemented a 2-for-1 split of investment units on March 1, 2013. In order to factor in the impact of this split, net income per unit, distribution per unit, and securing / reversal of retained earnings per unit for the 9th fiscal period through to the 14th fiscal period have been divided by two. The 9th fiscal period (ended Aug. 2010) is the nine-month period from December 1, 2009 to August 31, 2010 due to a change in fiscal period-end.

*3) Net income for the 9th fiscal period (ended Aug. 2010) was ¥20,918 million. However, for the purpose of comparison, the figure of ¥1,909 million, which excludes a gain of ¥19,009 million on negative goodwill, is presented, and net income per unit above is based on this amount.

// Reuse of Depreciation and amortization



// Utilization of Depreciation and amortization

- **Maintenance and improvement of asset value by CAPEX**
Maintain and improve asset values through large-scale repair plans and upgrade works
- **Stabilizing and increase of distributions**
Utilizing ¥18.4 billion (*) in retained earnings, boost distributions with an amount equivalent to 10% of depreciation and amortization
Mitigate downside risk to distributions (loss from property disposition, dilution from capital increase)
*) The amount of retained earnings indicates after a reversal of internal reserves.
The amount before a reversal is ¥18.5 billion.
- **Increase of distributions by acquiring new properties**
Target upside to distributions by using around ¥2.5 billion in free cash each year to acquire properties

// Utilization of Depreciation and amortization

(unit: million yen)

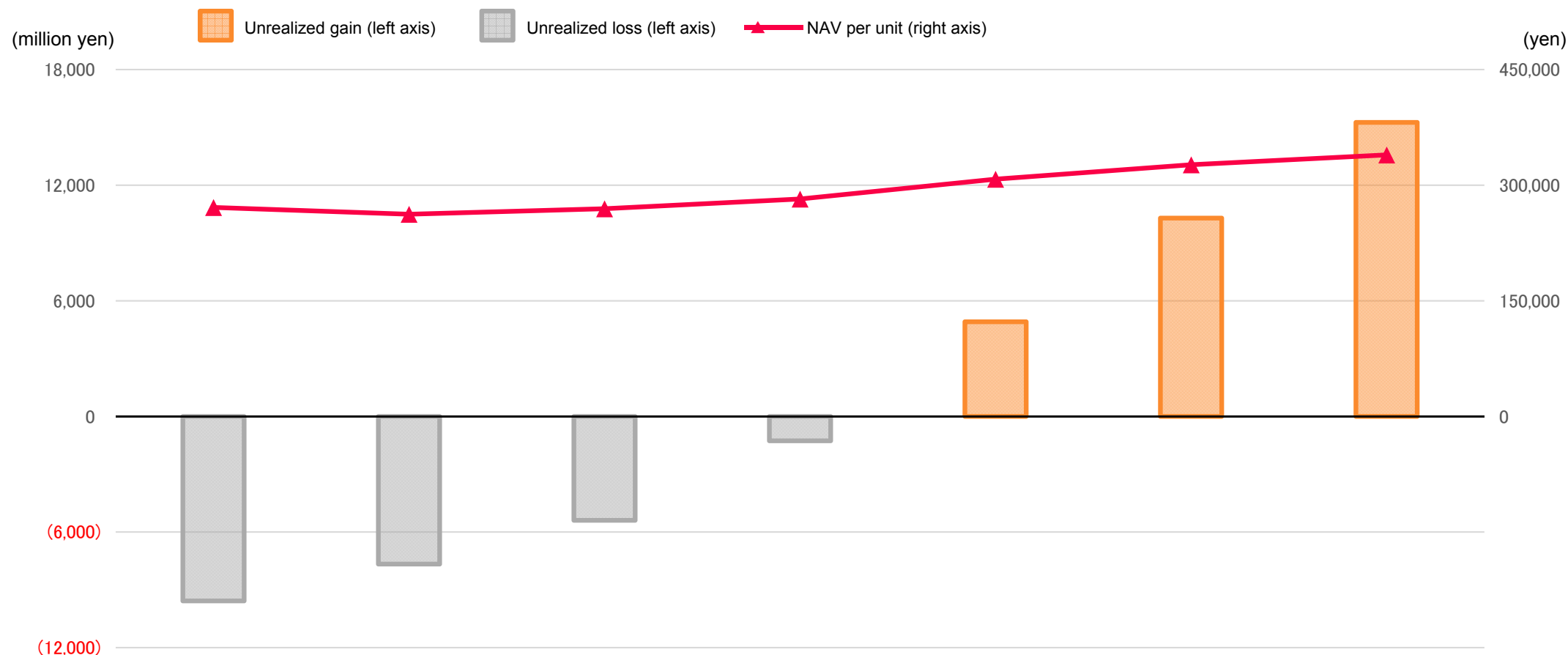
		10th	11th	12th	13th	14th	15th	16th	17th	Total	18th (Forecast)
Depreciation and amortization		1,146	1,176	1,363	1,411	1,422	1,523	1,589	1,663	11,299	1,686
Use	Enhance value of portfolio properties	198	85	92	80	105	127	85	150	925	212
	Stabilizing distributions	—	535	334	—	191	141	385	—	1,588	—
	Increasing distributions	—	—	—	—	—	—	158	166	324	168
	Reinvestment (incl. planned amounts)	948	554	937	1,331	1,125	1,255	960	1,347	8,460	1,306
Total		1,146	1,176	1,363	1,411	1,422	1,523	1,589	1,663	11,299	1,686

Depreciation and amortization reinvestment example

- ① Royal Parks Wakabadai
Acquisition price 4,360 million yen
Acquisition funds Cash on hands
Acquisition date March 28, 2014
- ② Morino Tonari
Acquisition price 1,020 million yen
Acquisition funds Cash on hands
Acquisition date July 1, 2014

Conditions of Unrealized Gain and Loss and NAV Per Unit

// Movement in Unrealized Gain and Loss and NAV Per Unit



	11th Fiscal Period (ended Aug. 2011)	12th Fiscal Period (ended Feb. 2012)	13th Fiscal Period (ended Aug. 2012)	14th Fiscal Period (ended Feb. 2013)	15th Fiscal Period (ended Aug. 2013)	16th Fiscal Period (ended Feb. 2014)	17th Fiscal Period (ended Aug. 2014)
Unrealized gain and loss (million yen)	(9,572)	(7,661)	(5,389)	(1,260)	4,914	10,292	15,258
Appraisal CAP Rate (*1)	5.7%	5.7%	5.6%	5.6%	5.5%	5.4%	5.3%
NAV per unit (*2)	271,239 yen	262,307 yen	269,535 yen	282,136 yen	307,845 yen	326,536 yen	339,373 yen

*1) Calculated by dividing the total of the net operating income shown in the real estate appraisal reports for the portfolio properties at the end of each fiscal period by the total estimated properties value calculated by the direct capitalization method.

*2) DHI implemented a 2-for-1 split of investment units effective March 1, 2013. Therefore, amounts of NAV per unit shown for the 14th fiscal period and before take this split into account.

- DHI plans to add an amount equivalent to 10% of depreciation and amortization (¥168 million for both the 18th and 19th fiscal periods (¥451 per unit)) to net income and distribute the total.
- DHI will also target further upside to distributions by using free cash to acquire new properties.

(unit: million yen)

	17th Fiscal Period Actual (ended Aug. 2014)	18th Fiscal Period Forecast (ending Feb. 2015)		19th Fiscal Period Forecast (ending Aug. 2015)	
			Term on term		Term on term
Operating Revenue	8,578	8,651	+73	8,664	+13
Operating Expense	4,671	4,793	+121	4,818	+25
Operating Income	3,906	3,858	(48)	3,846	(12)
Ordinary Income	3,082	3,047	(34)	3,065	+18
Net Income	3,081	3,046	(34)	3,065	+18
Retained Earnings (Reversal)	(166)	(168)	(2)	(168)	
Total Distributions	3,247	3,215	(32)	3,233	+18

Net Income per Unit	(A)	8,241 yen	8,149 yen	(92) yen	8,199 yen	+50 yen
Net Income per Unit excl. extraordinary income / losses		8,241 yen	8,149 yen	(92) yen	8,199 yen	+50 yen
Retained Earnings (Reversal) per Unit	(B)	(444) yen	(451) yen	(7) yen	(451) yen	
Distribution per Unit	(A) - (B)	8,686 yen	8,600 yen	(86) yen	8,650 yen	+50 yen

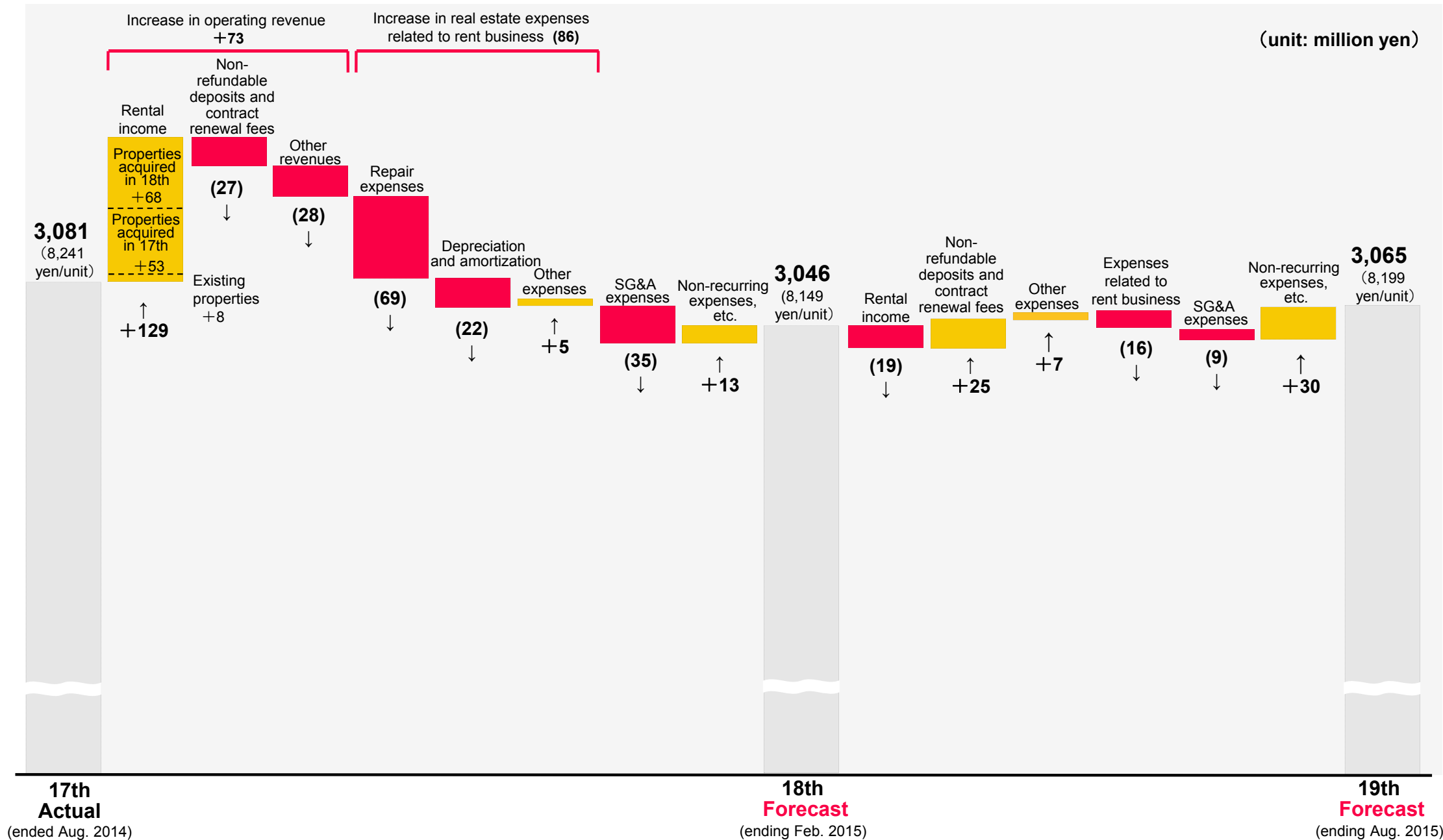
Number of Owned Properties	134 properties	136 properties	+2 properties	136 properties	
Portfolio Size (Purchase price basis)	235,361	237,626	+2,265	237,626	
Average Occupancy Rate in the Fiscal Period	96.5%	96.0%	(0.5)%	96.0%	

*) Forecasts for the 18th and 19th fiscal periods assume 373,870 units outstanding at the end of each period.

Eighteenth Fiscal Period (ending Feb. 2015) and Nineteenth Fiscal Period (ending Aug. 2015) Breakdown of Net Income Forecast

// Breakdown of Forecast Net Income

(unit: million yen)



// Future Policies of Growth Strategy

Implementation of Distribution Management

Implementation of distribution management utilizing retained earnings of ¥18.4 billion and tax-loss carry-forwards of ¥44.5 billion (as of August 31, 2014)

*) The amount of retained earnings indicates after a reversal of internal reserves.
The amount before a reversal is ¥18.5 billion.

Leverage Comprehensive Strengths of the Daiwa House Group

Leverage the comprehensive strengths of the Daiwa House Group, which can offer total operations of rental residences from planning and development to administration, management and tenant leasing



Daiwa House Residential Investment Corporation

Realizing Sustained External Growth and Stabilized Distribution

Enhancement of Portfolio Quality

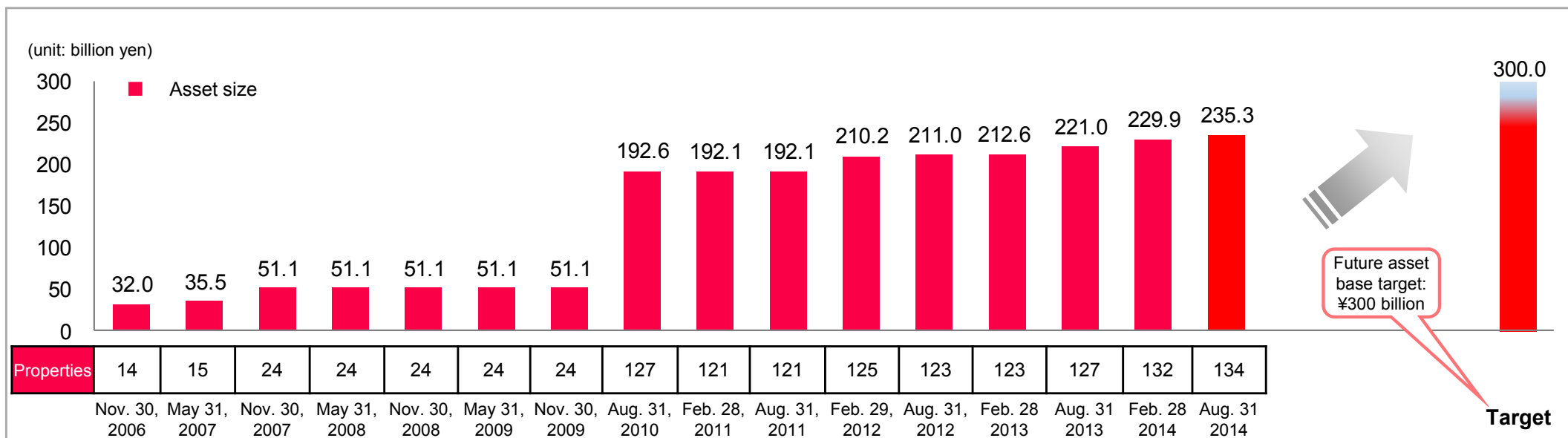
By continuing to carry out long-term repairs, strive to maintain and improve portfolio quality and realize reductions in administrative and management costs

Expansion of Portfolio Size

Aiming to expand portfolio size, mainly in properties to be developed by Daiwa House Industry, Investment in senior housing

Enhancement of Financial Position

Building a strong banking structure backed by the creditworthiness of the Daiwa House Group, reducing debt costs



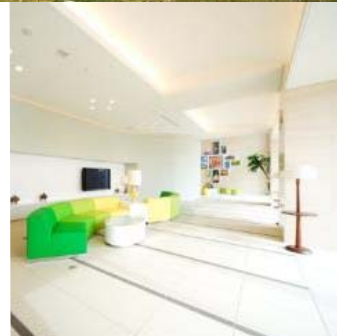


APPENDIX

Daiwa House
Residential
Investment Corp.







Daiwa House Asset Mgt.
Daiwa House Group



Investment Strategy on Residential Properties by Area

// By Area



Area		Area 1	Area 2	Area 3	Area 4
Current	Definition	5 major wards of Tokyo (Chiyoda Ward, Chuo Ward, Minato Ward, Shibuya Ward and Shinjuku Ward)	Wards of Tokyo excluding Area 1	Tokyo Metropolitan area (Tokyo excluding Area 1 and Area 2, Kanagawa Prefecture, Saitama Prefecture and Chiba Prefecture)	Other cities with populations of more than approx. 100,000
	Investment Policy	60% or more		30% or less	30% or less
	DHI's Portfolio (as of August 31, 2014)	71.4%		8.0%	20.5%
		(39.3%)	(32.1%)		

Future	Target Portfolio				
	Rationale	<p><Area 1></p> <ul style="list-style-type: none"> Currently high proportion of investment in this area, but offers the potential for strong rent rises once the economy recovers No plans to sell properties, but planning to reduce or maintain relative weighting of investment in this area by acquiring properties in other areas <p><Area 2></p> <ul style="list-style-type: none"> Area 2 rents are very stable while occupancy rates are stable. Aim to increase the investment ratio of this area The strengths of Daiwa House Group can be best utilized in this area 		<ul style="list-style-type: none"> A supply of high-quality properties is expected from Daiwa House Study prospect of investing in properties for which Daiwa House Group function as a master lessee 	<ul style="list-style-type: none"> Consider purchasing attractive properties in this area based on property competitiveness, size, and yield

Investment Strategy on Residential Properties by Type

// By Type

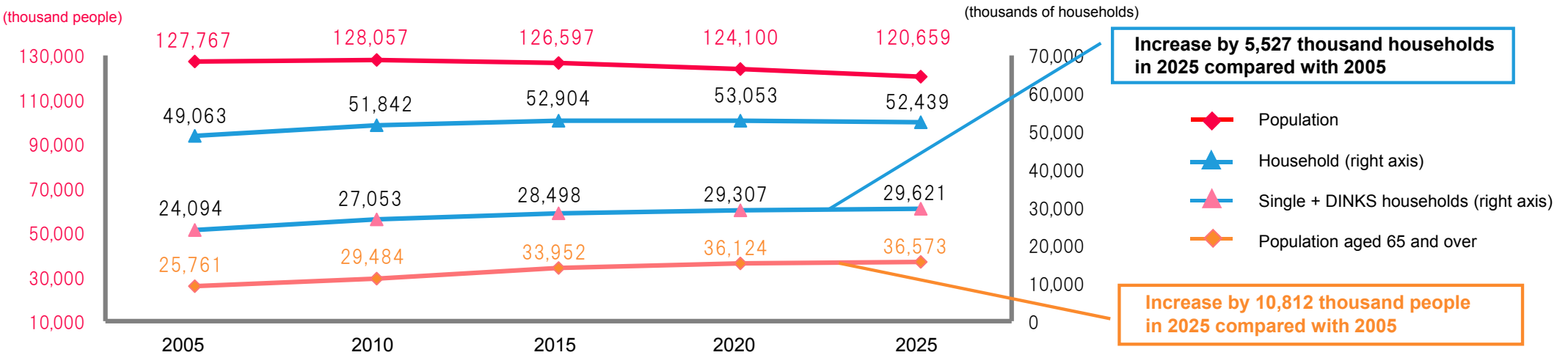
	Type	Compact Type	Family Type
Current	Overview	<ul style="list-style-type: none"> Residences aimed mainly at singles, double income no kids (DINKS) and designed in for their life styles 	<ul style="list-style-type: none"> Residences aimed mainly at families and designed for their life styles
	Dedicated Area	60m ² or less	More than 60m ²
	Investment Policy	70% or more	30% or less
	DHI's Portfolio (Unit basis) (as of August 31, 2014)	82.3%	17.7%

Future	Portfolio Target		
	Rationale	<ul style="list-style-type: none"> Rents are currently low however downward rigidity of occupancy rates and rent is strong 	<ul style="list-style-type: none"> A supply of excellent properties is expected from Daiwa House Study prospect of investing in properties for which Daiwa House Group function as an master lessee

Building the Portfolio: Strengths of DHI Portfolio

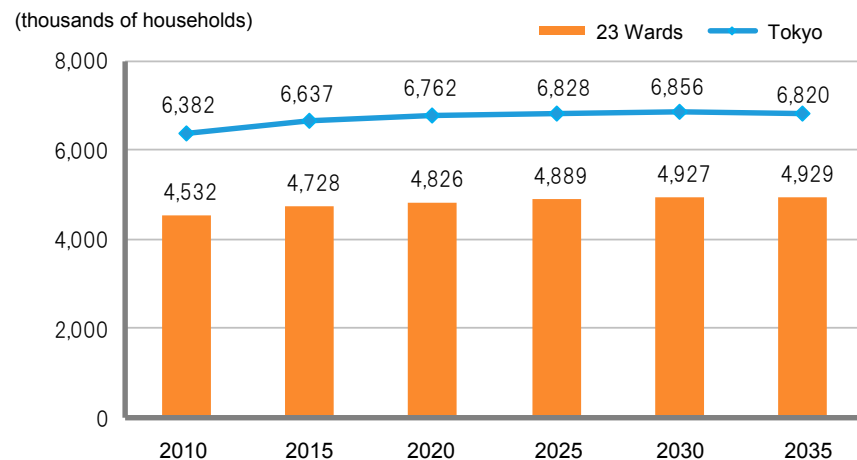
- Investment strategy focused on the Tokyo Metropolitan area where continuous population growth is expected, with a certain level of investment in major regional cities where local populations are expected to be concentrated for portfolio diversification
- By type, investment strategy focused on properties targeting compact types, of which the number of households is expected to increase
- Investment to a certain extent in senior housing in reaction to the aging of society

Estimated Population and Number of Households (including forecasts)



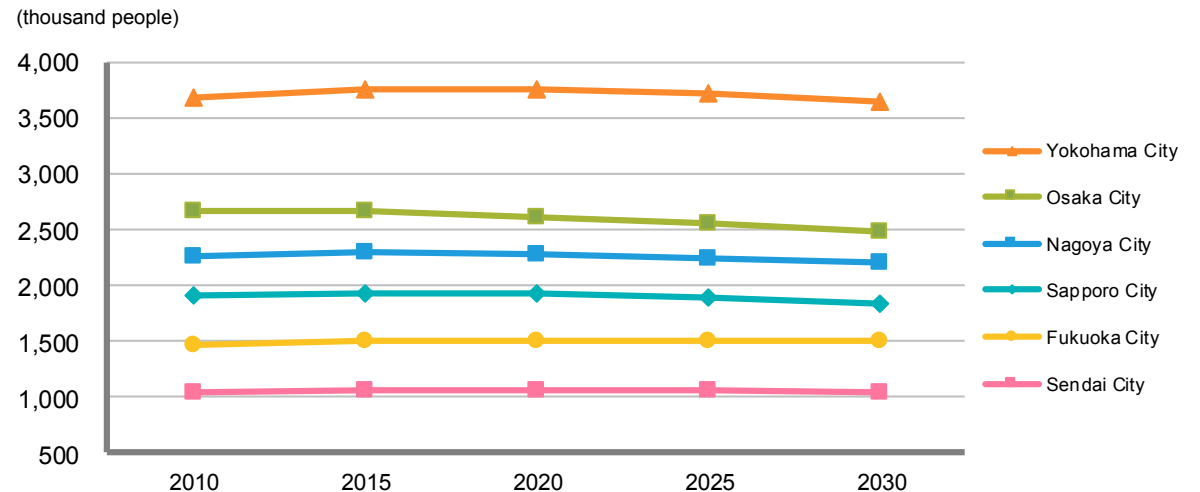
(Source) National Institute of Population and Social Security Research "Future Change in Households in Japan" (January 2013) and "Population Projections for Japan: Medium-fertility and Medium-mortality Assumptions" (January 2012)
(Source) Statistics Bureau, Ministry of Internal Affairs and Communications "Report on Population Census of Japan" for population in 2005

Estimated Number of Households in Tokyo (including forecasts)



(Source) Tokyo Metropolitan Government, "Forecast of Number of Households in Tokyo" statistical data (March 2014)

Estimated Population Changes by City (including forecasts)

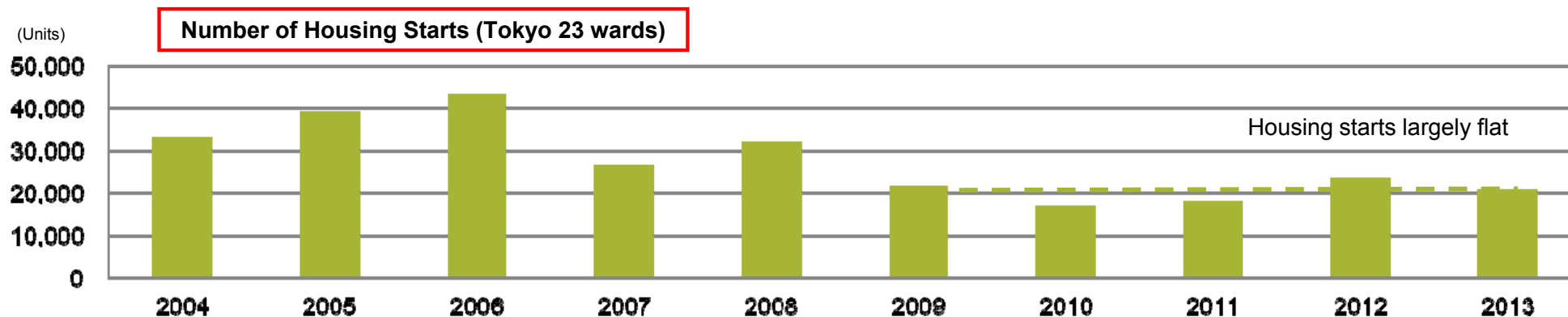


(Source) National Institute of Population and Social Security Research "Estimated Population Changes by City, Town or Village" (March 2013)

Residential Market Conditions

// Number of Housing Starts Trend

- Number of housing starts for rental condominiums in Tokyo 23 wards totaled 20,863 units in 2013 (down 12.0% from a year earlier).
- After peaking in 2006, housing starts declined due to the impact of the revised Building Standards Act (2007) and the collapse of emerging small-medium condominium developers during the financial crisis post Lehman Shock (2008). However, housing starts have been largely flat over the last few years.



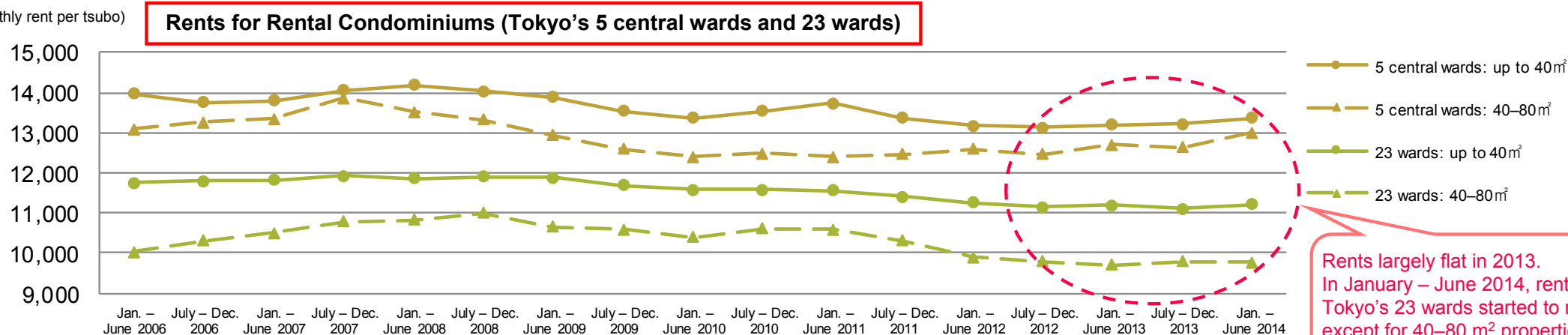
*1) Source: Daiwa House Asset Management Co., Ltd., based on Statistics on Building Starts, published by Ministry of Land, Infrastructure, Transport and Tourism

*2) Shows the number of new building starts in Tokyo's 23 wards under "by Owner Occupant Relation: Rented," "by Structure: Steel-frame reinforced concrete or reinforced concrete," and "by Construction Method: Joint project."

// Trends in Condominium Rents

- Condominium rents in Tokyo's 5 central wards saw a slight rise for both 40 m² and smaller properties and 40–80 m² properties. Rents in Tokyo's 23 wards saw a slight rise for 40 m² and smaller properties, but a slight decline for 40–80 m² properties.

¥ (monthly rent per tsubo)



Rents largely flat in 2013. In January - June 2014, rents in Tokyo's 23 wards started to rise except for 40-80 m² properties.

*1) Source: Daiwa House Asset Management Co., Ltd., based on Survey Results of Housing Market Index 2014 H1, published by the Japan Real Estate Institute (JREI) on September 10, 2014.

*2) Adjusted by JREI using base data to show rents for 10-year old condominiums; rents are the amounts paid by tenants excluding management fees and common service fees.

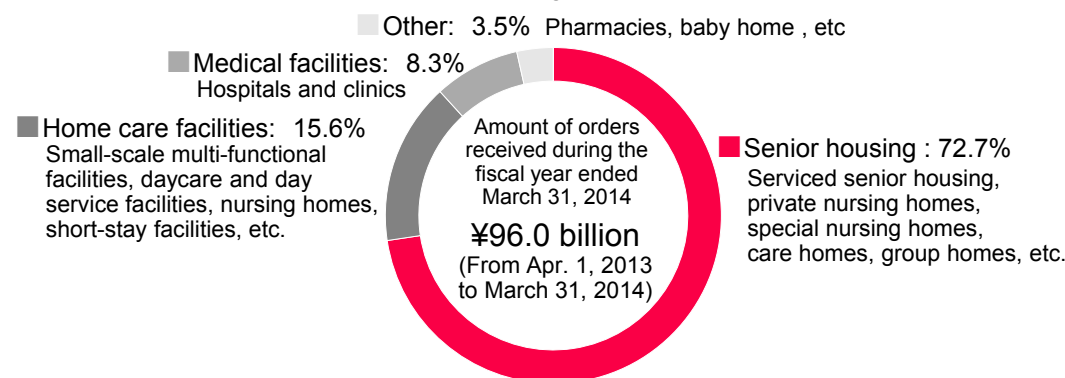
// Profile of Daiwa House Industry

Company Name	Daiwa House Industry Co., Ltd.		
Head Office	3-3-5, Umeda, Kita Ward, Osaka City		
Established	April 5, 1955 (Founded: March 4, 1947)		
Paid-in Capital	¥161,699 million (as of March 31, 2014)		
Ratings	Japan Credit Rating Agency, Ltd. (JCR)	:	AA (Stable)
	Rating and Investment Information, Inc. (R&I)	:	AA- (Stable)

// Results of Daiwa House Group's Healthcare Business

Amount of orders received by Daiwa House Industry for senior housing, medical treatment and nursing, and welfare facilities

Sum total amount of orders through March 31, 2014: ¥662.8 billion



// Selected Financial Data of Rental Housing Business of Daiwa House

- Using its extensive property planning and development expertise in providing a grand total of around 880,000 rental residences (as end of June 2014), Daiwa House Industry is developing products that anticipate the needs of residents and landowners
- Daiwa House Industry shows a steady growth in net sales and operating income of the Rental Housing Business

// Number of Rental Residences Managed

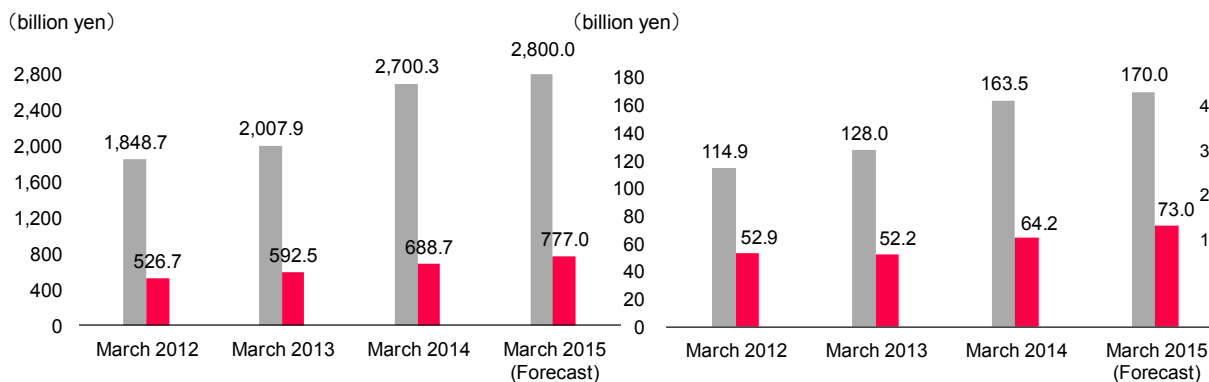
- The Daiwa House Group is increasing steadily the number of rental residences managed

Net Sales (consolidated basis)

- Consolidated net sales
- Of which, sales of Rental Housing Business

Operating Income (consolidated basis)

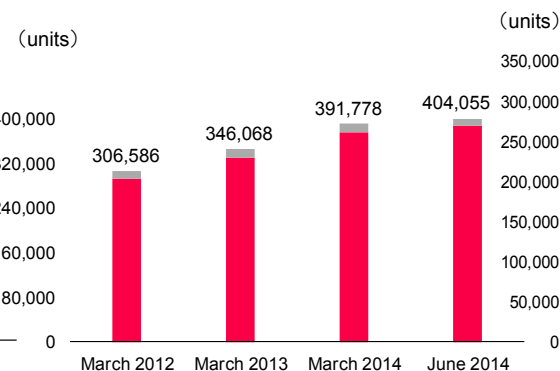
- Consolidated operating income
- Of which, sales of Rental Housing Business



(Source) "Financial Highlights for FY2014 1Q" of Daiwa House Industry.

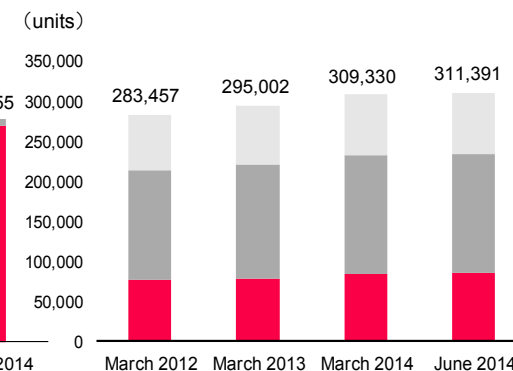
Rental Residences Managed

- Daiwa Living Co., Ltd.
- Daiwa Living Management Co., Ltd.
- Nihon Jyutaku Ryutu Co., Ltd.



Condominiums Managed

- Daiwa Service Co., Ltd.
- Daiwa Lifenext Co., Ltd.
- Global Community Co., Ltd.



Appraisal Value Comparison Table

(unit: million yen)

(unit: %)

Area	No.	Property Name (Owned properties as of August 31, 2014)	Appraiser *1	Acquisition Price	Book Value at Aug. 31, 2014	Real Estate Appraisal Value		Acquisition Value Comparison	Book Value Comparison	End of Previous Fiscal Period Comparison	Appraisal at Feb. 28, 2014			Appraisal at Aug. 31, 2014			End of Previous Fiscal Period Comparison		
						At Feb. 28, 2014	At Aug. 31, 2014				Direct Capitalizatio n Method	DCF Method		Direct Capitalizatio n Method	DCF Method		Direct Capitalizatio n Method	DCF Method	
												③	④		④-①	④-②		④-③	CR
Area1	1001	Qiz Ebisu	Tanizawa	7,650	7,392	7,970	8,000	350	607	30	4.4	4.6	4.6	4.4	4.6	4.6	0.0	0.0	0.0
	1002	Castalia Azabujuban Shichimenzaka	Chuo	4,500	4,304	3,970	4,020	(480)	(284)	50	4.8	4.5	5.0	4.7	4.5	4.9	(0.1)	0.0	(0.1)
	1003	Castalia Shibakoen	Tanizawa	2,630	2,492	1,960	1,960	(670)	(532)	0	4.8	4.9	5.0	4.8	4.9	5.0	0.0	0.0	0.0
	1004	Castalia Ginza	Tanizawa	2,520	2,418	2,010	2,000	(520)	(418)	(10)	4.7	4.8	4.9	4.7	4.8	4.9	0.0	0.0	0.0
	1005	Castalia Hiroo	Tanizawa	2,220	2,141	1,730	1,730	(490)	(411)	0	4.6	4.7	4.8	4.6	4.7	4.8	0.0	0.0	0.0
	1006	Castalia Nihonbashi	Tanizawa	1,200	1,120	1,070	1,070	(130)	(50)	0	4.8	4.9	5.0	4.8	4.9	5.0	0.0	0.0	0.0
	1007	Castalia Hacchobori	Tanizawa	2,300	2,193	2,040	2,070	(230)	(123)	30	4.8	4.9	5.0	4.7	4.8	4.9	(0.1)	(0.1)	(0.1)
	1008	Castalia Azabujuban	Chuo	2,910	2,851	2,430	2,480	(430)	(371)	50	4.8	4.5	5.0	4.7	4.5	4.9	(0.1)	0.0	(0.1)
	1009	Castalia Azabujuban II	Chuo	2,690	2,604	2,290	2,330	(360)	(274)	40	4.7	4.4	4.9	4.6	4.4	4.8	(0.1)	0.0	(0.1)
	1010	Castalia Shinjuku Natsumezaka	Chuo	1,865	1,813	1,580	1,610	(255)	(203)	30	5.0	4.7	5.2	4.8	4.6	5.0	(0.2)	(0.1)	(0.2)
	1011	Castalia Ginza II	Tanizawa	1,800	1,727	1,560	1,600	(200)	(127)	40	4.7	4.8	4.9	4.6	4.7	4.8	(0.1)	(0.1)	(0.1)
	1012	Castalia Shibuya Sakuragaoka	Tanizawa	1,400	1,370	1,040	1,060	(340)	(310)	20	4.6	4.8	4.8	4.5	4.7	4.7	(0.1)	(0.1)	(0.1)
	1015	Castalia Nishi Azabu Kasumicho	Tanizawa	2,143	2,125	2,010	2,010	(133)	(115)	0	4.7	4.8	4.9	4.7	4.8	4.9	0.0	0.0	0.0
	1016	Castalia Ochanomizu	JREI	1,770	1,710	1,860	1,900	130	189	40	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	1017	Castalia Sangubashi	Tanizawa	1,393	1,403	1,380	1,400	7	(3)	20	4.8	5.0	5.0	4.7	4.9	4.9	(0.1)	(0.1)	(0.1)
	1018	Castalia Suitengu	Tanizawa	1,279	1,229	1,290	1,250	(29)	20	(40)	4.9	4.9	5.1	4.9	4.9	5.1	0.0	0.0	0.0
	1019	Castalia Suitengu II	Tanizawa	1,138	1,092	1,140	1,120	(18)	27	(20)	4.8	4.9	5.0	4.8	4.9	5.0	0.0	0.0	0.0
	1020	Castalia Shintomicho	Tanizawa	932	892	939	920	(12)	27	(19)	4.9	4.9	5.1	4.9	4.9	5.1	0.0	0.0	0.0
	1021	Castalia Shintomicho II	Tanizawa	825	786	807	811	(14)	24	4	4.9	4.9	5.1	4.9	4.9	5.1	0.0	0.0	0.0
	1022	Castalia Harajuku	JREI	887	870	828	839	(48)	(31)	11	4.7	4.5	4.9	4.6	4.4	4.8	(0.1)	(0.1)	(0.1)
	1023	Castalia Yoyogi Uehara	JREI	608	593	634	645	37	51	11	4.8	4.6	5.0	4.7	4.5	4.9	(0.1)	(0.1)	(0.1)
	1024	Castalia Sendagaya	JREI	555	551	552	556	1	4	4	4.8	4.6	5.0	4.7	4.5	4.9	(0.1)	(0.1)	(0.1)
	1025	Castalia Shinjuku 7 chome	JREI	464	449	470	474	10	24	4	5.2	5.0	5.4	5.1	4.9	5.3	(0.1)	(0.1)	(0.1)
	1027	Castalia Ningyocho	JREI	947	897	1,030	1,060	113	162	30	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	1028	Castalia Ningyocho II	JREI	1,070	1,015	1,160	1,180	110	164	20	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	1029	Castalia Shin-Ochanomizu	JREI	914	879	932	951	37	71	19	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	1030	Castalia Higashi Nihonbashi II	JREI	1,370	1,305	1,460	1,480	110	174	20	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	1031	Castalia Jinbocho	JREI	1,160	1,112	1,240	1,260	100	147	20	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	1032	Castalia Shintomicho III	JREI	675	637	660	670	(5)	32	10	5.0	4.7	5.3	4.9	4.6	5.2	(0.1)	(0.1)	(0.1)
	1033	Castalia Shinjuku Gyoen	Tanizawa	2,720	2,618	2,760	2,800	80	181	40	4.8	(*2)	5.0	4.8	(*9)	5.0	0.0	—	0.0
	1034	Castalia Takanawadai	JREI	860	832	904	901	41	68	(3)	4.8	4.6	5.0	4.7	4.5	4.9	(0.1)	(0.1)	(0.1)
	1035	Castalia Higashi Nihonbashi III	Daiwa	666	633	685	707	41	73	22	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)

CR is CAP Rate, DR is Discount Rate, TCR is Terminal Cap Rate.

Appraisal Value Comparison Table

(unit: million yen)

(unit: %)

Area	No.	Property Name (Owned properties as of August 31, 2014)	Appraiser *1	Acquisition Price	Book Value at Aug. 31, 2014	Real Estate Appraisal Value		Acquisition Value Comparison	Book Value Comparison	End of Previous Fiscal Period Comparison	Appraisal at Feb. 28, 2014			Appraisal at Aug. 31, 2014			End of Previous Fiscal Period Comparison		
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												③	④		④-①	④-②		④-③	CR
Area1	1036	Castalia Shinjuku Gyoen II	Tanizawa	486	464	478	460	(26)	(4)	(18)	4.8	5.0	5.0	4.8	5.0	5.0	0.0	0.0	0.0
	1037	Castalia Shintomicho IV	Daiwa	400	382	397	405	5	22	8	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	1038	Castalia Takanawadai II	JREI	1,190	1,150	1,210	1,220	30	69	10	4.8	4.6	5.0	4.7	4.5	4.9	(0.1)	(0.1)	(0.1)
	1039	Castalia Minami Azabu	JREI	642	620	598	610	(32)	(10)	12	4.8	4.6	5.0	4.7	4.5	4.9	(0.1)	(0.1)	(0.1)
	1040	Castalia Ginza III	Tanizawa	2,880	2,779	2,720	2,740	(140)	(39)	20	4.7	4.8	4.9	4.6	4.7	4.8	(0.1)	(0.1)	(0.1)
	1041	Castalia Kayabacho	Tanizawa	2,707	2,600	2,730	2,790	83	189	60	4.9	4.9	5.1	4.8	4.8	5.0	(0.1)	(0.1)	(0.1)
	1042	Castalia Takanawa	Tanizawa	7,430	7,231	7,180	7,250	(180)	18	70	4.8	5.1	5.0	4.7	5.0	4.9	(0.1)	(0.1)	(0.1)
	1043	Castalia Higashi Nihonbashi	Chuo	3,520	3,364	3,530	3,600	80	235	70	5.2	4.9	5.4	5.1	4.9	5.3	(0.1)	0.0	(0.1)
	1045	Castalia Shinjuku	Tanizawa	2,950	2,872	3,010	3,070	120	197	60	4.8	5.0	5.0	4.7	4.9	4.9	(0.1)	(0.1)	(0.1)
	1046	Castalia Ichigaya	Chuo	940	918	1,240	1,260	320	341	20	5.0	4.7	5.2	4.8	4.6	5.0	(0.2)	(0.1)	(0.2)
	1047	Shibaura Island Bloom Tower	JREI	7,580	7,437	7,940	8,070	490	632	130	—	4.7	6.8	—	4.6	6.7	0.0	(0.1)	(0.1)
	1048	Castalia Hatsudai	Daiwa	2,030	2,064	2,200	2,220	190	155	20	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	1049	Castalia Hatsudai II	Morii	1,900	1,937	2,080	2,090	190	152	10	4.7	4.5	4.9	4.6	4.4	4.8	(0.1)	(0.1)	(0.1)
	1050	Castalia Ebisu	Morii	1,420	1,451	1,550	1,580	160	128	30	4.6	4.4	4.8	4.5	4.3	4.7	(0.1)	(0.1)	(0.1)
Residential Area 1 Subtotal				92,136	89,345	89,254	90,229	(1,907)	883	975									
Area2	2001	Castalia Meguro Kamurozaka	Daiwa	4,500	4,212	3,850	3,920	(580)	(292)	70	4.8	4.6	5.0	4.7	4.5	4.9	(0.1)	(0.1)	(0.1)
	2002	Castalia Toritsudaigaku	Chuo	648	605	524	527	(121)	(78)	3	5.8	5.5	6.1	5.6	5.4	5.9	(0.2)	(0.1)	(0.2)
	2004	Castalia Yukigaya	Tanizawa	1,110	1,047	1,080	1,100	(10)	52	20	4.9	5.0	5.1	4.8	4.9	5.0	(0.1)	(0.1)	(0.1)
	2005	Castalia Yutenji	Chuo	1,450	1,382	1,190	1,170	(280)	(212)	(20)	4.9	4.6	5.1	4.7	4.5	4.9	(0.2)	(0.1)	(0.2)
	2006	Castalia Otsuka	Chuo	1,480	1,388	1,410	1,460	(20)	71	50	5.1	4.8	5.3	4.9	4.7	5.1	(0.2)	(0.1)	(0.2)
	2007	Castalia Kikukawa	Tanizawa	817	765	766	771	(46)	5	5	5.0	5.1	5.2	4.9	5.0	5.1	(0.1)	(0.1)	(0.1)
	2008	Castalia Meguro	JREI	844	820	865	881	37	60	16	5.0	4.7	5.2	4.9	4.6	5.1	(0.1)	(0.1)	(0.1)
	2009	Castalia Otsuka II	JREI	1,040	983	1,020	1,060	20	76	40	5.1	4.9	5.3	5.0	4.8	5.2	(0.1)	(0.1)	(0.1)
	2010	Castalia Jiyugaoka	JREI	1,200	1,166	1,240	1,250	50	83	10	4.8	4.6	5.0	4.7	4.5	4.9	(0.1)	(0.1)	(0.1)
	2011	Castalia Mejiro	Chuo	988	947	947	982	(6)	34	35	5.3	5.0	5.5	5.1	4.9	5.3	(0.2)	(0.1)	(0.2)
	2012	Castalia Ikebukuro	Daiwa	2,570	2,464	2,420	2,460	(110)	(4)	40	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	2013	Castalia Kaname-cho	Tanizawa	1,140	1,098	1,110	1,130	(10)	31	20	4.9	5.1	5.1	4.8	5.0	5.0	(0.1)	(0.1)	(0.1)
	2014	Castalia Tower Shinagawa Seaside	Tanizawa	7,380	7,073	7,590	7,720	340	646	130	4.9	4.9	5.1	4.8	4.8	5.0	(0.1)	(0.1)	(0.1)
	2015	Castalia Yakumo	Tanizawa	857	833	721	733	(124)	(100)	12	4.8	5.0	5.0	4.7	4.9	4.9	(0.1)	(0.1)	(0.1)
	2016	Castalia Togoshiekimae	JREI	1,560	1,507	1,720	1,750	190	242	30	5.0	4.8	5.2	4.9	4.7	5.1	(0.1)	(0.1)	(0.1)
	2018	Castalia Honjo Azumabashi	Tanizawa	996	948	1,010	997	1	48	(13)	5.1	5.2	5.3	5.1	5.2	5.3	0.0	0.0	0.0
	2019	Castalia Kitazawa	JREI	742	715	744	748	6	32	4	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	2020	Castalia Monzennakacho	Tanizawa	503	476	476	476	(27)	0	0	5.3	5.4	5.5	5.3	5.4	5.5	0.0	0.0	0.0

CR is CAP Rate, DR is Discount Rate, TCR is Terminal Cap Rate.

Appraisal Value Comparison Table

(unit: million yen)

(unit: %)

Area	No.	Property Name (Owned properties as of August 31, 2014)	Appraiser *1	Acquisition Price	Book Value at Aug. 31, 2014	Real Estate Appraisal Value		Acquisition Value Comparison	Book Value Comparison	End of Previous Fiscal Period Comparison	Appraisal at Feb. 28, 2014			Appraisal at Aug. 31, 2014			End of Previous Fiscal Period Comparison		
						At Feb. 28, 2014	At Aug. 31, 2014				Direct Capitalizatio n Method	DCF Method		Direct Capitalizatio n Method	DCF Method		Direct Capitalizatio n Method	DCF Method	
												③	④		④-①	④-②		④-③	CR
Area2	2023	Castalia Kamiikedai	JREI	198	188	202	204	6	15	2	5.6	5.2	5.8	5.5	5.1	5.7	(0.1)	(0.1)	(0.1)
	2024	Castalia Morishita	JREI	832	790	875	893	61	102	18	5.0	4.8	5.2	4.9	4.7	5.1	(0.1)	(0.1)	(0.1)
	2025	Castalia Wakabayashi koen	Daiwa	776	750	747	763	(13)	12	16	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	2026	Castalia Asakusabashi	Chuo	792	751	804	838	46	86	34	5.3	5.0	5.5	5.1	4.9	5.3	(0.2)	(0.1)	(0.2)
	2027	Castalia Iriya	Chuo	546	516	576	588	42	71	12	5.7	5.4	5.9	5.5	5.3	5.7	(0.2)	(0.1)	(0.2)
	2028	Castalia Kita Ueno	Tanizawa	2,641	2,506	2,460	2,460	(181)	(46)	0	5.0	5.1	5.2	5.0	5.1	5.2	0.0	0.0	0.0
	2029	Castalia Morishita II	Tanizawa	686	648	761	775	89	126	14	5.0	5.1	5.2	4.9	5.0	5.1	(0.1)	(0.1)	(0.1)
	2030	Castalia Minowa	Tanizawa	1,430	1,351	1,440	1,470	40	118	30	5.0	5.1	5.2	4.9	5.0	5.1	(0.1)	(0.1)	(0.1)
	2031	Castalia Oyamadai	Tanizawa	533	515	544	560	27	44	16	4.9	5.0	5.1	4.8	4.9	5.0	(0.1)	(0.1)	(0.1)
	2032	Castalia Nakano	JREI	1,060	1,007	1,120	1,140	80	132	20	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	2033	Castalia Yoga	Tanizawa	923	893	1,040	1,050	127	156	10	4.8	5.0	5.0	4.7	4.9	4.9	(0.1)	(0.1)	(0.1)
	2034	Castalia Sumiyoshi	Tanizawa	948	895	912	929	(19)	33	17	5.0	5.1	5.2	4.9	5.0	5.1	(0.1)	(0.1)	(0.1)
	2035	Castalia Monzennakacho II	JREI	2,160	2,064	2,360	2,410	250	345	50	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	2036	Castalia Oshiage	Tanizawa	1,100	1,038	1,080	1,100	0	61	20	5.1	(*3)	5.3	5.0	(*10)	5.2	(0.1)	—	(0.1)
	2037	Castalia Kuramae	Tanizawa	1,260	1,196	1,350	1,370	110	173	20	5.0	(*4)	5.2	4.9	(*11)	5.1	(0.1)	—	(0.1)
	2038	Castalia Nakanobu	Chuo	1,790	1,745	2,380	2,430	640	684	50	4.9	4.6	5.1	4.8	4.6	5.0	(0.1)	0.0	(0.1)
	2039	Royal Parks Toyosu	Chuo	7,360	7,007	8,090	8,260	900	1,252	170	5.5	5.1	5.8	5.4	5.1	5.7	(0.1)	0.0	(0.1)
	2040	Castalia Togoshi	Chuo	1,770	1,701	2,310	2,360	590	658	50	5.0	4.7	5.2	4.9	4.7	5.1	(0.1)	0.0	(0.1)
	2041	Castalia Ooimachi	Morii	1,181	1,218	1,330	1,360	179	141	30	4.7	4.5	4.9	4.6	4.4	4.8	(0.1)	(0.1)	(0.1)
	2042	Castalia Omori	Chuo	1,500	1,522	1,690	1,750	250	227	60	5.0	4.7	5.2	4.8	4.6	5.0	(0.2)	(0.1)	(0.2)
	2043	Castalia Mishuku	Chuo	1,900	1,932	2,140	2,240	340	307	100	5.0	4.7	5.2	4.8	4.6	5.0	(0.2)	(0.1)	(0.2)
	2044	Castalia Arakawa	Chuo	1,660	1,666	1,970	2,010	350	343	40	5.3	5.0	5.5	5.1	4.9	5.3	(0.2)	(0.1)	(0.2)
	2045	Castalia Omori II	Morii	2,370	2,371	2,580	2,620	250	248	40	4.8	4.6	5.0	4.7	4.5	4.9	(0.1)	(0.1)	(0.1)
	2046	Castalia Nakameguro	Morii	3,800	3,846	4,010	4,060	260	213	50	4.6	4.4	4.8	4.5	4.3	4.7	(0.1)	(0.1)	(0.1)
	2047	Castalia Meguro Chojamaru	Morii	2,030	2,063	2,200	2,250	220	186	50	4.6	4.4	4.8	4.5	4.3	4.7	(0.1)	(0.1)	(0.1)
	2048	Castalia Meguro Takaban	Morii	1,750	1,773	1,830	1,850	100	76	20	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	2049	Castalia Omori III	Morii	1,520	1,552	1,690	1,700	180	147	10	4.8	4.6	5.0	4.7	4.5	4.9	(0.1)	(0.1)	(0.1)
	2050	Morino Tonari (*17)	JREI	1,020	1,070	1,100	1,100	80	29	0	4.7	4.5	4.9	4.7	4.5	4.9	0.0	0.0	0.0
Residential Area 2 Subtotal				75,361	73,026	78,274	79,675	4,314	6,648	1,401									
Area3	3001	Cosmo Heim Musashikosugi	Chuo	1,674	1,626	1,720	1,760	86	133	40	5.6	5.3	5.9	5.5	5.3	5.7	(0.1)	0.0	(0.2)
	3002	Castalia Tsurumi	Chuo	666	630	665	681	15	50	16	5.9	5.6	6.2	5.8	5.6	6.0	(0.1)	0.0	(0.2)
	3003	Castalia Funabashi	Tanizawa	704	691	739	750	46	58	11	5.6	(*5)	5.8	5.5	(*12)	5.7	(0.1)	—	(0.1)
	3006	Castalia Nishi Funabashi	JREI	783	745	810	826	43	80	16	5.9	5.7	6.1	5.8	5.6	6.0	(0.1)	(0.1)	(0.1)

CR is CAP Rate, DR is Discount Rate, TCR is Terminal Cap Rate.

Appraisal Value Comparison Table

(unit: million yen)

(unit: %)

Area	No.	Property Name (Owned properties as of August 31, 2014)	Appraiser *1	Acquisition Price	Book Value at Aug. 31, 2014	Real Estate Appraisal Value		Acquisition Value Comparison	Book Value Comparison	End of Previous Fiscal Period Comparison	Appraisal at Feb. 28, 2014			Appraisal at Aug. 31, 2014			End of Previous Fiscal Period Comparison		
						At Feb. 28, 2014	At Aug. 31, 2014				Direct Capitalizatio n Method	DCF Method		Direct Capitalizatio n Method	DCF Method		Direct Capitalizatio n Method	DCF Method	
												③	④		④-①	④-②		④-③	CR
Area3	3007	Castalia Maihama	Tanizawa	670	636	606	612	(58)	(24)	6	5.7	5.7	5.9	5.7	5.7	5.9	0.0	0.0	0.0
	3008	Castalia Ichikawamyoden	Tanizawa	671	641	682	680	9	38	(2)	5.6	5.8	5.9	5.6	5.8	5.9	0.0	0.0	0.0
	3010	Castalia Urayasu	Tanizawa	592	563	590	590	(2)	26	0	5.6	5.6	5.9	5.6	5.6	5.9	0.0	0.0	0.0
	3011	Castalia Minamigyotoku	Tanizawa	543	515	498	484	(59)	(31)	(14)	5.5	5.5	5.7	5.5	5.5	5.7	0.0	0.0	0.0
	3012	NCR Minamigyotoku II	Tanizawa	385	365	342	334	(51)	(31)	(8)	5.5	5.5	5.7	5.5	5.5	5.7	0.0	0.0	0.0
	3013	Castalia NogeYama	JREI	325	310	309	312	(13)	1	3	5.8	5.6	6.0	5.7	5.5	5.9	(0.1)	(0.1)	(0.1)
	3017	Castalia Ichikawa	JREI	461	432	505	488	27	55	(17)	5.9	5.7	6.1	5.8	5.6	6.0	(0.1)	(0.1)	(0.1)
	3018	Royal Parks Hanakoganei	Daiwa	5,300	5,332	5,730	5,830	530	497	100	5.8	(*6)	6.0	5.7	(*13)	5.9	(0.1)	—	(0.1)
	3019	Castalia Musashikosugi	Morii	1,680	1,711	1,790	1,810	130	98	20	5.1	4.9	5.3	5.0	4.8	5.2	(0.1)	(0.1)	(0.1)
	3020	Royal Parks Wakabadai (*17)	Daiwa	4,360	4,509	4,550	4,600	240	90	50	5.9	(*7)	6.1	5.8	(*14)	6.0	(0.1)	—	(0.1)
Residential Area 3 (excl. senior housing property) Subtotal				18,814	18,714	19,536	19,757	943	1,042	221									
Area4	4001	Castalia Shinsakae	Chuo	1,920	1,756	1,460	1,490	(430)	(266)	30	5.8	5.5	6.1	5.6	5.4	5.8	(0.2)	(0.1)	(0.3)
	4008	Aprile Tarumi	JREI	1,340	1,241	1,390	1,410	70	168	20	6.4	6.2	6.6	6.3	6.1	6.5	(0.1)	(0.1)	(0.1)
	4009	Crest Kusatsu	Tanizawa	3,004	2,757	2,810	2,650	(354)	(107)	(160)	7.4	7.5	7.6	7.4	7.5	7.6	0.0	0.0	0.0
	4010	Castalia Sakaisuji Honmachi	Tanizawa	1,490	1,400	1,580	1,590	100	189	10	5.5	5.6	5.7	5.5	5.6	5.7	0.0	0.0	0.0
	4011	Castalia Shin-Umeda	Tanizawa	1,376	1,283	1,480	1,480	104	196	0	5.6	5.7	5.8	5.6	5.7	5.8	0.0	0.0	0.0
	4012	Castalia Abeno	Tanizawa	4,368	4,176	4,280	4,370	2	193	90	5.5	5.6	5.7	5.4	5.5	5.6	(0.1)	(0.1)	(0.1)
	4014	Castalia Sakae	Chuo	1,010	952	1,070	1,100	90	147	30	5.7	5.4	6.0	5.4	5.2	5.6	(0.3)	(0.2)	(0.4)
	4015	Castalia Nipponbashi Kouzu	Tanizawa	3,570	3,320	3,550	3,640	70	319	90	5.6	5.7	5.8	5.5	5.6	5.7	(0.1)	(0.1)	(0.1)
	4016	Castalia Maruyama Urasando	Tanizawa	411	386	479	457	46	70	(22)	5.8	5.8	6.0	5.7	5.7	5.9	(0.1)	(0.1)	(0.1)
	4017	Castalia Maruyama Omotesando	Tanizawa	1,740	1,641	1,890	1,810	70	168	(80)	5.8	5.8	6.0	5.7	5.7	5.9	(0.1)	(0.1)	(0.1)
	4018	Castalia Higashi Hie	Tanizawa	960	896	965	991	31	94	26	5.7	5.9	5.9	5.6	5.8	5.8	(0.1)	(0.1)	(0.1)
	4019	Castalia Tower Nagahoribashi	Chuo	3,400	3,162	3,810	4,120	720	957	310	5.5	5.2	5.8	5.3	5.1	5.5	(0.2)	(0.1)	(0.3)
	4020	Castalia Sannomiya	Daiwa	1,230	1,147	1,360	1,380	150	232	20	5.7	5.5	5.9	5.6	5.4	5.8	(0.1)	(0.1)	(0.1)
	4021	Castalia Kotodaikoen	Daiwa	481	446	517	496	15	49	(21)	6.0	6.0	6.2	5.9	5.9	6.1	(0.1)	(0.1)	(0.1)
	4022	Castalia Ichibancho	Daiwa	783	736	840	821	38	84	(19)	6.0	6.0	6.2	5.9	5.9	6.1	(0.1)	(0.1)	(0.1)
	4023	Castalia Omachi	Daiwa	656	606	680	653	(3)	46	(27)	6.0	6.0	6.2	5.9	5.9	6.1	(0.1)	(0.1)	(0.1)
	4024	Castalia Uemachidai	Daiwa	2,190	2,062	2,360	2,410	220	347	50	5.4	5.2	5.6	5.3	5.1	5.5	(0.1)	(0.1)	(0.1)
	4025	Castalia Tower Higobashi	Chuo	2,670	2,536	3,090	3,260	590	723	170	5.5	5.2	5.8	5.3	5.1	5.5	(0.2)	(0.1)	(0.3)
	4026	Big Tower Minami Sanjo	Daiwa	1,740	1,575	2,270	2,310	570	734	40	5.9	5.7	6.1	5.8	5.6	6.0	(0.1)	(0.1)	(0.1)
	4027	Castalia Fushimi	JREI	2,260	2,161	2,730	2,770	510	608	40	5.5	5.3	5.7	5.4	5.2	5.6	(0.1)	(0.1)	(0.1)

CR is CAP Rate, DR is Discount Rate, TCR is Terminal Cap Rate.

Appraisal Value Comparison Table

(unit: million yen)

(unit: %)

Area	No.	Property Name (Owned properties as of August 31, 2014)	Appraiser *1	Acquisition Price	Book Value at Aug. 31, 2014	Real Estate Appraisal Value		Acquisition Value Comparison	Book Value Comparison	End of Previous Fiscal Period Comparis
						At Feb. 28, 2014	At Aug. 31, 2014			
						①	②	③	④	④-①
Area 4	4028	Castalia Meieki Minami	Morii	720	715	836	855	135	139	19
	4029	Castalia Yakuin	Morii	930	955	1,060	1,100	170	144	40
	4030	Castalia Mibu	JREI	1,193	1,204	1,290	1,320	127	115	30
	4031	Castalia Tsutsujigaoka	Morii	1,209	1,250	1,430	1,470	261	219	40
	4032	Castalia Ohori Bay Tower	Morii	2,910	2,951	3,630	3,700	790	748	70
	4033	Royal Parks Namba	Daiwa	2,830	2,867	2,950	2,960	130	92	10
	4034	Castalia Shigahondori	JREI	1,730	1,765	1,940	1,960	230	194	20
Residential Area 4 Subtotal				48,121	45,959	51,747	52,573	4,452	6,613	826
Area 3	6001	Urban Living Inage	Daiwa	930	958	999	1,030	100	71	31
	Residential Area 3 (senior housing property) Subtotal			930	958	999	1,030	100	71	31
Total				235,362	228,005	239,810	243,264	7,902	15,258	3,454

Appraisal at Feb. 28, 2014			Appraisal at Aug. 31, 2014			End of Previous Fiscal Period Comparison		
Direct Capitalization Method	DCF Method		Direct Capitalization Method	DCF Method		Direct Capitalization Method	DCF Method	
CR	DR	TCR	CR	DR	TCR	CR	DR	TCR
5.4	5.2	5.6	5.3	5.1	5.5	(0.1)	(0.1)	(0.1)
5.4	5.2	5.6	5.3	5.1	5.5	(0.1)	(0.1)	(0.1)
5.7	5.5	5.9	5.6	5.4	5.8	(0.1)	(0.1)	(0.1)
5.8	5.6	6.0	5.7	5.5	5.9	(0.1)	(0.1)	(0.1)
5.6	5.4	5.8	5.5	5.3	5.7	(0.1)	(0.1)	(0.1)
6.2	(*8)	6.4	6.1	(*15)	6.4	(0.1)	—	0.0
5.8	5.6	6.0	5.7	5.5	5.9	(0.1)	(0.1)	(0.1)
/	/	/	/	/	/	/	/	/
6.8	6.6	7.0	6.6	6.4	6.8	(0.2)	(0.2)	(0.2)
/	/	/	/	/	/	/	/	/

CR is CAP Rate, DR is Discount Rate, TCR is Terminal Cap Rate.

Book value comparison amount is ¥15,258 million in unrealized gains

Real estate appraisal values have improved for 8 consecutive fiscal periods

- *1) Under "Appraiser," "Tanizawa" is Tanizawa Sogo Appraisal Co., Ltd. "Chuo" is Chuo Real Estate Appraisal Co., Ltd. "Daiwa" is Daiwa Real Estate Appraisal Co., Ltd. and "JREI" is Japan Real Estate Institute, "Morii" is Morii Appraisal & Investment Consulting, Inc.
- *2) 4.9% (1 to 10 years after appraisal dates), 5.0% (11th year after appraisal dates).
- *4) 5.2% (1 to 10 years after appraisal dates), 5.1% (11th year after appraisal dates).
- *6) 5.6% (1 to 10 years after appraisal dates), 6.0% (11 to 80 years after appraisal dates).
- *8) 6.0% (1 to 10 years after appraisal dates), 6.4% (11th year after appraisal dates to the expiry of the land lease).
- *10) 5.3% (1 to 10 years after appraisal dates), 5.1% (11th year after appraisal dates).
- *12) 5.7% (1 to 4 years after appraisal dates), 5.3% (5 to 11 years after appraisal dates).
- *14) 5.6% (1 to 10 years after appraisal dates), 6.0% (11 to 51 years after appraisal dates).
- *15) 6.0% (1 to 10 years after appraisal dates), 6.4% (11th year after appraisal dates to the expiry of the land lease).
- *16) Under direct capitalization method, net operating income for a single period is capitalized by capitalization rate to determine estimated properties value. Under DCF method, future net operating income during multiple consecutive periods and residual value that are discounted to the present value according to the time of occurrence, are summed together to determine estimated properties value.
- *17) Data at February 28, 2014 for properties acquired in 17th fiscal period (ended August 2014), based on appraisal value as of acquisition date. Date of appraisal are February 28, 2014 for Royal Parks Wakabadai and June 1, 2014 for Morino Tonari.
- *3) 5.4% (1 to 10 years after appraisal dates), 5.2% (11th year after appraisal dates).
- *5) 5.8% (1 to 4 years after appraisal dates), 5.4% (5 to 11 years after appraisal dates).
- *7) 5.7% (1 to 10 years after appraisal dates), 6.1% (11 to 53 years after appraisal dates).
- *9) 4.9% (1 to 10 years after appraisal dates), 5.0% (11th year after appraisal dates).
- *11) 5.1% (1 to 10 years after appraisal dates), 5.0% (11th year after appraisal dates).
- *13) 5.5% (1 to 10 years after appraisal dates), 5.9% (11 to 80 years after appraisal dates).

Portfolio Data (as of October 10, 2014)

Area *1	No.	Property Name	Address (Residence indication)	Leasable Area (m ²)	Leasable Units (units)	Acquisition Price (mn yen) *2	Acquisition Price Ratio (%) *3	Appraisal Values (mn yen) *4
Area1	1001	Qiz Ebisu	4-3-1 Ebisu, Shibuya Ward, Tokyo	5,230.39	96	7,650	3.2	8,000
	1002	Castalia Azabujuban Shichimenzaka	2-7-5 Azabu Juban, Minato Ward, Tokyo	3,492.93	96	4,500	1.9	4,020
	1003	Castalia Shibakoen	3-32-10 Shiba, Minato Ward, Tokyo	2,707.51	75	2,630	1.1	1,960
	1004	Castalia Ginza	1-14-13 Ginza, Chuo Ward, Tokyo	2,226.42	67	2,520	1.1	2,000
	1005	Castalia Hiroo	3-13-3 Nishi Azabu, Minato Ward, Tokyo	1,621.59	24	2,220	0.9	1,730
	1006	Castalia Nihonbashi	11-2 Nihonbashi Kabutocho, Chuo Ward, Tokyo	1,458.73	51	1,200	0.5	1,070
	1007	Castalia Hacchobori	3-27-5 Hatchobori, Chuo Ward, Tokyo	2,969.57	59	2,300	1.0	2,070
	1008	Castalia Azabujuban	2-10-1 Azabu Juban, Minato Ward, Tokyo	2,400.00	51	2,910	1.2	2,480
	1009	Castalia Azabujuban II	2-21-2 Azabu Juban, Minato Ward, Tokyo	2,094.58	66	2,690	1.1	2,330
	1010	Castalia Shinjuku Natsumezaka	10-1 Kikuicho, Shinjuku Ward, Tokyo (*5)	1,917.62	41	1,865	0.8	1,610
	1011	Castalia Ginza II	1-23-4 Ginza, Chuo Ward, Tokyo	1,817.56	61	1,800	0.8	1,600
	1012	Castalia Shibuya Sakuragaoka	29-21 Sakuragaokacho, Shibuya Ward, Tokyo	1,123.80	30	1,400	0.6	1,060
	1015	Castalia Nishi Azabu Kasumicho	1-3-12 Nishi Azabu, Minato Ward, Tokyo	2,779.77	37	2,143	0.9	2,010
	1016	Castalia Ochanomizu	3-24-1 Kanda Ogawamachi, Chiyoda Ward, Tokyo	2,559.21	44	1,770	0.7	1,900
	1017	Castalia Sangubashi	4-52-12 Yoyogi, Shibuya Ward, Tokyo	1,898.47	26	1,393	0.6	1,400
	1018	Castalia Suitengu	2-8-13 Nihonbashi Kakigaracho, Chuo Ward, Tokyo	1,940.94	62	1,279	0.5	1,250
	1019	Castalia Suitengu II	1-38-16 Nihonbashi Kakigaracho, Chuo Ward, Tokyo	1,858.34	55	1,138	0.5	1,120
	1020	Castalia Shintomicho	3-10-10 Irifune, Chuo Ward, Tokyo	1,444.52	40	932	0.4	920
	1021	Castalia Shintomicho II	2-6-4 Irifune, Chuo Ward, Tokyo	1,244.54	33	825	0.3	811
	1022	Castalia Harajuku	3-55-3 Sendagaya, Shibuya Ward, Tokyo	1,225.26	21	887	0.4	839
	1023	Castalia Yoyogi Uehara	1-17-16 Uehara, Shibuya Ward, Tokyo	811.95	25	608	0.3	645
	1024	Castalia Sendagaya	2-9-10 Sendagaya, Shibuya Ward, Tokyo	803.03	21	555	0.2	556
	1025	Castalia Shinjuku 7 chome	7-17-16 Shinjuku, Shinjuku Ward, Tokyo	957.60	23	464	0.2	474
	1027	Castalia Ningyocho	7-15 Nihonbashi Tomizawacho, Chuo Ward, Tokyo	1,747.90	32	947	0.4	1,060
	1028	Castalia Ningyocho II	8-12 Nihonbashi Tomizawacho, Chuo Ward, Tokyo	1,826.80	38	1,070	0.5	1,180
	1029	Castalia Shin-Ochanomizu	2-3-3 Kanda Awajicho, Chiyoda Ward, Tokyo (*5)	1,308.38	32	914	0.4	951
	1030	Castalia Higashi Nihonbashi II	12-11 Nihonbashi Tomizawacho, Chuo Ward, Tokyo	2,117.46	63	1,370	0.6	1,480
	1031	Castalia Jinbocho	2-40-8 Kanda Jimbocho, Chiyoda Ward, Tokyo	1,628.80	60	1,160	0.5	1,260
	1032	Castalia Shintomicho III	2-8-8 Irifune, Chuo Ward, Tokyo	972.51	41	675	0.3	670
	1033	Castalia Shinjuku Gyoen	2-14-4 Shinjuku, Shinjuku Ward, Tokyo	3,594.16	108	2,720	1.1	2,800
	1034	Castalia Takanawadai	3-4-12 Takanawa, Minato Ward, Tokyo	1,147.44	32	860	0.4	901

Portfolio Data (as of October 10, 2014)

Area *1	No.	Property Name	Address (Residence indication)	Leasable Area (m ²)	Leasable Units (units)	Acquisition Price (mn yen) *2	Acquisition Price Ratio (%) *3	Appraisal Values (mn yen) *4
Area1	1035	Castalia Higashi NihonbashiⅢ	3-5-6 Higashi Nihonbashi, Chuo Ward, Tokyo	1,105.20	48	666	0.3	707
	1036	Castalia Shinjuku Gyoen Ⅱ	1-29-15 Shinjuku, Shinjuku Ward, Tokyo	668.79	27	486	0.2	460
	1037	Castalia ShintomichoⅣ	3-10-8 Irifune, Chuo Ward, Tokyo	681.00	20	400	0.2	405
	1038	Castalia Takanawadai Ⅱ	3-5-6 Takanawa, Minato Ward, Tokyo	1,567.84	40	1,190	0.5	1,220
	1039	Castalia Minami Azabu	2-2-27 Minami Azabu, Minato Ward, Tokyo	882.67	24	642	0.3	610
	1040	Castalia GinzaⅢ	8-18-2 Ginza, Chuo Ward, Tokyo	3,494.42	96	2,880	1.2	2,740
	1041	Castalia Kayabacho	2-1 Nihonbashi Koamicho, Chuo Ward, Tokyo	4,602.95	88	2,707	1.1	2,790
	1042	Castalia Takanawa	2-17-12 Takanawa, Minato Ward, Tokyo	10,408.26	169	7,430	3.1	7,250
	1043	Castalia Higashi Nihonbashi	9-14 Nihonbashi Yokoyamacho, Chuo Ward, Tokyo	6,442.28	103	3,520	1.5	3,600
	1045	Castalia Shinjuku	2-6-11 Shinjuku, Shinjuku Ward, Tokyo	3,150.80	122	2,950	1.2	3,070
	1046	Castalia Ichigaya	14-4 Ichigaya Yakuojimachi, Shinjuku Ward, Tokyo (*5)	1,546.34	50	940	0.4	1,260
	1047	Shibaura Island Bloom Tower	4-20-2, 3, 4, Shibaura, Minato Ward, Tokyo	16,849.50	213	7,580	3.2	8,070
	1048	Castalia Hatsudai	1-10-9, Honmachi, Shibuya Ward, Tokyo	3,077.05	81	2,030	0.9	2,220
	1049	Castalia Hatsudai Ⅱ	1-33-7, Honmachi, Shibuya Ward, Tokyo	2,339.42	56	1,900	0.8	2,090
	1050	Castalia Ebisu	3-15-6, Ebisu, Shibuya Ward, Tokyo	1,659.71	36	1,420	0.6	1,580
Area2	2001	Castalia Meguro Kamurozaka	4-31-23 Nishi Gotanda, Shinagawa Ward, Tokyo	4,967.97	125	4,500	1.9	3,920
	2002	Castalia Toritsudaigaku	1-4-1 Midorigaoka, Meguro Ward, Tokyo	863.70	30	648	0.3	527
	2004	Castalia Yukigaya	2-13-3 Higashi Yukigaya, Ota Ward, Tokyo	1,542.30	52	1,110	0.5	1,100
	2005	Castalia Yutenji	2-14-21 Yutenji, Meguro Ward, Tokyo	1,380.35	29	1,450	0.6	1,170
	2006	Castalia Otsuka	3-17-4 Minami Otsuka, Toshima Ward, Tokyo	1,871.70	70	1,480	0.6	1,460
	2007	Castalia Kikukawa	2-1-12 Kikukawa, Sumida Ward, Tokyo	1,168.18	43	817	0.3	771
	2008	Castalia Meguro	2-1-13 Meguro, Meguro Ward, Tokyo	1,414.73	26	844	0.4	881
	2009	Castalia Otsuka Ⅱ	2-32-20 Higashi Ikebukuro, Toshima Ward, Tokyo	1,784.50	54	1,040	0.4	1,060
	2010	Castalia Jiyugaoka	1-20-1 Jiyugaoka, Meguro Ward, Tokyo	1,472.47	40	1,200	0.5	1,250
	2011	Castalia Mejiro	2-8-16 Takada, Toshima Ward, Tokyo	1,658.90	29	988	0.4	982
	2012	Castalia Ikebukuro	3-1-12 Nishi Ikebukuro, Toshima Ward, Tokyo	3,644.35	87	2,570	1.1	2,460
	2013	Castalia Kaname-cho	5-26-10 Nishi Ikebukuro, Toshima Ward, Tokyo	1,624.06	73	1,140	0.5	1,130
	2014	Castalia Tower Shinagawa Seaside	4-10-18 Higashi Shinagawa, Shinagawa Ward, Tokyo	12,732.35	208	7,380	3.1	7,720
	2015	Castalia Yakumo	2-20-5 Yakumo, Meguro Ward, Tokyo	1,276.91	18	857	0.4	733
	2016	Castalia Togoshiekimae	1-7-16 Hiratsuka, Shinagawa Ward, Tokyo	2,014.12	64	1,560	0.7	1,750
	2018	Castalia Honjo Azumabashi	3-7-11 Honjo, Sumida Ward, Tokyo	2,255.88	35	996	0.4	997

Portfolio Data (as of October 10, 2014)

Area *1	No.	Property Name	Address (Residence indication)	Leasable Area (m ²)	Leasable Units (units)	Acquisition Price (mn yen) *2	Acquisition Price Ratio (%) *3	Appraisal Values (mn yen) *4
Area2	2019	Castalia Kitazawa	1-15-5 Kitazawa, Setagaya Ward, Tokyo	1,220.16	15	742	0.3	748
	2020	Castalia Monzennakacho	1-17-12 Fukuzumi, Koto Ward, Tokyo	887.94	31	503	0.2	476
	2023	Castalia Kamiikedai	1-4-15 Kamiikedai, Ota Ward, Tokyo	414.45	12	198	0.1	204
	2024	Castalia Morishita	1-16-12 Morishita, Koto Ward, Tokyo	1,383.90	38	832	0.4	893
	2025	Castalia Wakabayashi koen	4-39-4 Wakabayashi, Setagaya Ward, Tokyo	1,425.43	23	776	0.3	763
	2026	Castalia Asakusabashi	2-16-21 Yanagibashi, Taito Ward, Tokyo	1,537.84	32	792	0.3	838
	2027	Castalia Iriya	3-1-28 Shitaya, Taito Ward, Tokyo	1,415.15	22	546	0.2	588
	2028	Castalia Kita Ueno	1-15-5 Kita Ueno, Taito Ward, Tokyo	4,197.66	102	2,641	1.1	2,460
	2029	Castalia Morishita II	2-12-11 Shin Ohashi, Koto Ward, Tokyo	1,275.60	40	686	0.3	775
	2030	Castalia Minowa	5-24-4 Negishi, Taito Ward, Tokyo	2,406.41	78	1,430	0.6	1,470
	2031	Castalia Oyamada	7-14-13 Todoroki, Setagaya Ward, Tokyo	857.32	28	533	0.2	560
	2032	Castalia Nakano	2-12-13 Arai, Nakano Ward, Tokyo	1,613.86	42	1,060	0.4	1,140
	2033	Castalia Yoga	1-3-12 Tamagawadai, Setagaya Ward, Tokyo	1,472.38	45	923	0.4	1,050
	2034	Castalia Sumiyoshi	2-8-11 Sumiyoshi, Koto Ward, Tokyo	1,362.60	60	948	0.4	929
	2035	Castalia Monzennakacho II	2-2-9 Tomioka, Koto Ward, Tokyo	3,038.98	94	2,160	0.9	2,410
	2036	Castalia Oshiage	3-5-2 Mukojima, Sumida Ward, Tokyo	1,785.24	60	1,100	0.5	1,100
	2037	Castalia Kuramae	3-9-4 Kuramae, Taito Ward, Tokyo	1,994.93	67	1,260	0.5	1,370
	2038	Castalia Nakanobu	4-7-11 Nakanobu, Shinagawa Ward, Tokyo	2,421.82	83	1,790	0.8	2,430
	2039	Royal Parks Toyosu	3-5-21 Toyosu, Koto Ward, Tokyo	18,112.03	276	7,360	3.1	8,260
	2040	Castalia Togoshi	5-2-1 Togoshi, Shinagawa Ward, Tokyo	2,629.59	120	1,770	0.7	2,360
	2041	Castalia Ooimachi	4-2-11 Ooi, Shinagawa Ward, Tokyo	1,413.75	65	1,181	0.5	1,360
	2042	Castalia Omori	1-19-20, Omori kita, Ota Ward, Tokyo	2,046.36	60	1,500	0.6	1,750
	2043	Castalia Mishuku	1-3-39, Taishidou, Setagaya Ward, Toyko	2,640.86	54	1,900	0.8	2,240
	2044	Castalia Arakawa	2-3-1, Arakawa, Arakawa Ward, Tokyo	3,797.92	70	1,660	0.7	2,010
	2045	Castalia Omori II	1-8-13, Omori kita, Omori Ward, Tokyo	2,818.70	112	2,370	1.0	2,620
	2046	Castalia Nakameguro	1-18-7, Aobadai, Meguro Ward, Tokyo	3,166.71	101	3,800	1.6	4,060
	2047	Castalia Meguro Choijamaru	2-8-1, Kamiosaki, Shinagawa Ward, Tokyo	2,123.77	61	2,030	0.9	2,250
	2048	Castalia Meguro Takaban	1-6-19, Takaban, Meguro Ward, Tokyo	1,961.52	55	1,750	0.7	1,850
	2049	Castalia Omori III	5-21-11, Minami-ooi, Shinagawa Ward, Tokyo	2,004.80	74	1,520	0.6	1,700
	2050	Morino Tonari	1-1-5, Koyamadai, Shinagawa-ku, Tokyo	1,668.24	28	1,020	0.4	1,100
	2051	Castalia Meguro Tairamachi	1-23-8, Tairamachi, Meguro-ku, Tokyo	1,278.52	38	1,165	0.5	(*6) 1,220

Portfolio Data (as of October 10, 2014)

Area *1	No.	Property Name	Address (Residence indication)	Leasable Area (m ²)	Leasable Units (units)	Acquisition Price (mn yen) *2	Acquisition Price Ratio (%) *3	Appraisal Values (mn yen) *4
Area3	3001	Cosmo Heim Musashikosugi	2-8 Kizuki Isecho, Nakahara Ward, Kawasaki City, Kanagawa	4,208.83	59	1,674	0.7	1,760
	3002	Castalia Tsurumi	3-5-10 Tsurumi Chuo, Tsurumi Ward, Yokohama City, Kanagawa	1,452.09	32	666	0.3	681
	3003	Castalia Funabashi	4-4-8 Honcho, Funabashi City, Chiba	1,552.01	87	704	0.3	750
	3006	Castalia Nishi Funabashi	4-19-16 Nishifuna, Funabashi City, Chiba	1,597.32	81	783	0.3	826
	3007	Castalia Maihama	5-14-17 Fujimi, Urayasu City, Chiba	1,287.72	61	670	0.3	612
	3008	Castalia Ichikawamyoden	2-14-20 Shioyaki, Ichikawa City, Chiba	1,218.00	58	671	0.3	680
	3010	Castalia Urayasu	3-30-4 Arai, Ichikawa City, Chiba	1,074.53	51	592	0.2	590
	3011	Castalia Minamigyotoku	4-1-26 Minami Gyotoku, Ichikawa City, Chiba	1,031.81	49	543	0.2	484
	3012	Castalia Minamigyotoku II	4-1-5 Minami Gyotoku, Ichikawa City, Chiba	724.63	35	385	0.2	334
	3013	Castalia Nogeyama	1-8 Hinodecho, Naka Ward, Yokohama City, Kanagawa (*5)	744.90	30	325	0.1	312
	3017	Castalia Ichikawa	1-24-3 Ichikawa, Ichikawa City, Chiba	876.89	40	461	0.2	488
	3018	Royal Parks Hanakoganei	1-8-2, Hanakoganei, Kodaira City, Tokyo	18,153.57	279	5,300	2.2	5,830
	3019	Castalia Musashikosugi	20-1, Imaikami-cho, Nakahara Ward, Kawasaki City, Kanagawa (*5)	2,179.80	85	1,680	0.7	1,810
Area4	3020	Royal Parks Wakabadai	2-1-1, Wakabadai, Inagi city, Tokyo (*5)	21,367.93	192	4,360	1.8	4,600
	4001	Castalia Shinsakae	1-11-29 Shin Sakae, Naka Ward, Nagoya City, Aichi	3,548.48	131	1,920	0.8	1,490
	4008	Aprile Tarumi	7-3-1 Takamaru, Tarumi Ward, Kobe City, Hyogo	6,545.25	99	1,340	0.6	1,410
	4009	Crest Kusatsu	5-3-27 Kasayama, Kusatsu City, Shiga	13,452.80	540	3,004	1.3	2,650
	4010	Castalia Sakaisuji Honmachi	1-3-7 Kyutaromachi, Chuo Ward, Osaka City, Osaka	3,471.39	117	1,490	0.6	1,590
	4011	Castalia Shin-Umeda	6-8-21 Nakatsu, Kita Ward, Osaka City, Osaka	3,279.90	108	1,376	0.6	1,480
	4012	Castalia Abeno	2-4-37 Abenosuji, Abeno Ward, Osaka City, Osaka	10,920.75	154	4,368	1.8	4,370
	4014	Castalia Sakae	4-16-10 Sakae, Naka Ward, Nagoya City, Aichi	2,836.00	73	1,010	0.4	1,100
	4015	Castalia Nipponbashi Kouzu	2-4-6 Kouzu, Chuo Ward, Osaka City, Osaka	9,334.47	262	3,570	1.5	3,640
	4016	Castalia Maruyama Urasando	21-1-47 Minami 2 Jo Nishi, Chuo Ward, Sapporo City, Hokkaido	1,522.89	36	411	0.2	457
	4017	Castalia Maruyama Omotesando	21-2-1 Kita 1 Jo Nishi, Chuo Ward, Sapporo City, Hokkaido	6,100.31	146	1,740	0.7	1,810
	4018	Castalia Higashi Hie	5-31 Hiemachi, Hakata Ward, Fukuoka City, Fukuoka	3,061.60	115	960	0.4	991
	4019	Castalia Tower Nagahoribashi	1-15-25 Shimanouchi, Chuo Ward, Osaka City, Osaka	8,747.40	133	3,400	1.4	4,120
	4020	Castalia Sannomiya	3-2-31 Isobedori, Chuo Ward, Kobe City, Hyogo	3,071.60	112	1,230	0.5	1,380

Portfolio Data (as of October 10, 2014)

Area *1	No.	Property Name	Address (Residence indication)	Leasable Area (m ²)	Leasable Units (units)	Acquisition Price (mn yen) *2	Acquisition Price Ratio (%) *3	Appraisal Values (mn yen) *4
Area4	4021	Castalia Kotodaikoen	3-10-24 Kokubuncho, Aoba Ward, Sendai City, Miyagi	1,684.10	50	481	0.2	496
	4022	Castalia Ichibancho	1-6-27, 30 Ichibancho, Aoba Ward, Sendai City, Miyagi	2,800.32	68	783	0.3	821
	4023	Castalia Omachi	2-5-8 Omachi, Aoba Ward, Sendai City, Miyagi	2,149.08	72	656	0.3	653
	4024	Castalia Uemachidai	4-1-12 Uehonmachi Nishi, Chuo Ward, Osaka City, Osaka	5,415.39	69	2,190	0.9	2,410
	4025	Castalia Tower Higobashi	1-2-24 Tosabori, Nishi Ward, Osaka City, Osaka	6,230.20	194	2,670	1.1	3,260
	4026	Big Tower Minami Sanjo	2-15-1 Minami Sanjo Higashi, Chuo Ward, Sapporo City, Hokkaido (*5)	8,661.19	179	1,740	0.7	2,310
	4027	Castalia Fushimi	1-8-49, Nishiki, Naka Ward, Nagoya City, Aichi	7,022.69	123	2,260	1.0	2,770
	4028	Castalia Meieki Minami	1-12-22, Meiekinminami, Nakamura Ward, Nagoya City, Aichi	1,822.10	70	720	0.3	855
	4029	Castalia Yakuin	2-3-13, Imaizumi, Chuo Ward, Fukuoka City, Fukuoka	2,784.83	118	930	0.4	1,100
	4030	Castalia Mibu	79, Mibu, Aiai-chou, Nakagyo Ward, Kyoto City, Kyoto (*5)	2,828.39	78	1,193	0.5	1,320
	4031	Castalia Tsutsujigaoka	4-2-35, Shintera, Wakabayashi Ward, Sendai City, Miyagi	4,471.11	84	1,208	0.5	1,470
	4032	Castalia Ohori Bay Tower	1-6-6, Minato, Chuo Ward, Fukuoka city, Fukuoka	11,089.75	215	2,910	1.2	3,700
	4033	Royal Parks Namba	2-2-40, Minato machi, Naniwa Ward, Osaka city, Osaka	10,354.15	162	2,830	1.2	2,960
	4034	Castalia Shigahondori	1-15-2, Wakabadori, Kita Ward, Nagoya City, Aichi	5,086.69	128	1,730	0.7	1,960
Total of Residential Properties (134 properties)				443,213.78	10,427	235,596	99.1	243,454
Area3	6001	Urban Living Inage	327-1, Sanno-cho, Inage Ward, Chiba city, Chiba (*5)	4,177.52	1	930	0.4	1,030
	6002	Aburatsubo Marina HILLS	1523-1, Shirasu, Misaki town moroisozaka, Miura city, Kanagawa (*5)	3,901.14	1	1,100	0.5	(*6) 1,170
Total of Residential Properties (senior housing property) (2 property)				8,078.66	2	2,030	0.9	2,200
Total Owned Assets (136 properties)				451,292.44	10,429	237,626	100.0	245,654

- *1) "Area 1" indicated in the Area column means Chiyoda Ward, Chuo Ward, Minato Ward, Shibuya Ward and Shinjuku Ward of Tokyo. "Area 2" means the wards of Tokyo excluding Area 1. "Area 3" means the Tokyo Metropolitan area (Tokyo excluding Area 1 and Area 2, Kanagawa Prefecture, Saitama Prefecture and Chiba Prefecture). "Area 4" means other cities (areas with populations more than approx. 100,000).
- *2) "Acquisition price" does not include expenses related to acquisition, settlement of taxes and public charges and consumption taxes. For properties formerly owned by NCR, the table shows the agreed book value at the time of the merger (appraisal value as of February 28, 2010); amounts rounded down to ¥ million units.
- *3) "Acquisition Price Ratio" column indicates the ratio of each acquisition price against the total acquisition price. The figures are rounded to the first decimal place.
- *4) "Appraisal Values" column indicates real estate appraisal values as of August 31, 2014. Amounts rounded down to ¥ million units.
- *5) Residence indication is NCW. Address on registry.
- *6) The appraisal values as of acquisition.
- *7) "Leasable area" is the floor area of the real estate or the real estate in trust that are leasable based on information as of August 31, 2014.

Summary of Financial Results

	11th Fiscal Period (ended Aug. 2011)	12th Fiscal Period (ended Feb. 2012)	13th Fiscal Period (ended Aug. 2012)	14th Fiscal Period (ended Feb. 2013)	15th Fiscal Period (ended Aug. 2013)	16th Fiscal Period (ended Feb. 2014)	17th Fiscal Period (ended Aug. 2014)	Variation Between 16th Fiscal Period
Operating days	184 days	182 days	184 days	181 days	184 days	181 days	184 days	+3 days
Operating Revenue	6,728 mn yen	7,421 mn yen	7,746 mn yen	7,612 mn yen	7,971 mn yen	8,316 mn yen	8,578 mn yen	+261 mn yen
[gains from property disposition]	0 mn yen	—	112 mn yen	—	3 mn yen	—	—	—
Operating Income	2,478 mn yen	3,434 mn yen	3,691 mn yen	3,398 mn yen	3,661 mn yen	3,559 mn yen	3,906 mn yen	+346 mn yen
[losses from property disposition]	501 mn yen	63 mn yen	—	192 mn yen	—	385 mn yen	—	(385) mn yen
Ordinary Income	1,437 mn yen	2,357 mn yen	2,724 mn yen	2,529 mn yen	2,780 mn yen	2,704 mn yen	3,082 mn yen	+377 mn yen
Net Income	1,401 mn yen	2,234 mn yen	2,616 mn yen	2,528 mn yen	2,779 mn yen	2,703 mn yen	3,081 mn yen	+377 mn yen
Distribution Per Unit	16,320 yen	16,000 yen	16,264 yen	16,947 yen	8,300 yen	8,688 yen	8,686 yen	(2) yen
Payout Ratio	138.2%	109.1%	99.8%	107.6%	104.1%	117.8%	105.4%	(12.4)%
Outstanding Units Issued at End of Fiscal Period	118,735 units	160,535 units	160,535 units	160,535 units	351,870 units	373,870 units	373,870 units	—
Real Estate Lease Business Revenue	6,728 mn yen	7,421 mn yen	7,633 mn yen	7,612 mn yen	7,968 mn yen	8,316 mn yen	8,578 mn yen	+261 mn yen
Real Estate Expenses Related To Rent Business	3,053 mn yen	3,167 mn yen	3,270 mn yen	3,265 mn yen	3,520 mn yen	3,545 mn yen	3,769 mn yen	+224 mn yen
Real Estate Lease Business Income	3,674 mn yen	4,254 mn yen	4,362 mn yen	4,347 mn yen	4,447 mn yen	4,771 mn yen	4,808 mn yen	+37 mn yen
Rent NOI	4,850 mn yen	5,618 mn yen	5,774 mn yen	5,770 mn yen	5,971 mn yen	6,361 mn yen	6,472 mn yen	+110 mn yen
NOI Yield * 1	5.05%	5.48%	5.42%	5.49%	5.42%	5.59%	5.49%	(0.10)%

<Portfolio at End of Fiscal Period>

Number of Owned Properties	121	125	123	123	127	132	134	+2
Total Acquisition Price	192,192 mn yen	210,282 mn yen	211,035 mn yen	212,692 mn yen	221,091 mn yen	229,981 mn yen	235,361 mn yen	+5,380 mn yen
Leasable Units	8,402 units	9,164 units	9,181 units	9,305 units	9,814 units	10,170 units	10,390 units	+220 units
	[Store: 69 units]	[Store: 74 units]	[Store: 78 units]	[Store: 82 units]	[Store: 90 units]	[Store: 79 units]	[Store: 101 units]	[Store: +22 units]
Properties Acquired (Disposed) in The Fiscal Period *2	3/ 3,401 mn yen	6/ 18,933 mn yen	2/ 4,030 mn yen	2/ 5,009 mn yen	4/ 8,400 mn yen	6/ 10,300 mn yen	2/ 5,380 mn yen	(4)/ (4,920) mn yen
Properties Disposed in the Fiscal Period *2	3/ 2,900 mn yen	2/ 766 mn yen	4/ 3,324 mn yen	2/ 3,063 mn yen	0/ 49 mn yen	1/ 990 mn yen	0/ —	(1)/ (990) mn yen
Average Occupancy Rate in the Fiscal Period	95.7%	96.4%	96.1%	96.7%	96.5%	96.5%	96.5%	—
Occupancy Rate at End of Fiscal Period	96.2%	97.2%	96.1%	97.6%	96.7%	96.8%	96.7%	(0.1)%

*1) $\text{NOI yield} = \frac{\text{Rent NOI (lease business revenue + other lease business revenue - real estate expenses related to rent business + depreciation and amortization)} \times 365 \text{ days}}{\text{Total of (acquisition cost} \times \text{number of days owned during fiscal period / number of days in fiscal period) for each owed property}}$

*2) Figures indicate the number of properties and total acquisition price or disposition price. Expenses related to acquisition or disposition, settlement of taxes and public charges and consumption taxes are excluded.

Selected Financial Data

	11th Fiscal Period (ended Aug. 2011)	12th Fiscal Period (ended Feb. 2012)	13th Fiscal Period (ended Aug. 2012)	14th Fiscal Period (ended Feb. 2013)	15th Fiscal Period (ended Aug. 2013)	16th Fiscal Period (ended Feb. 2014)	17th Fiscal Period (ended Aug. 2014)	Variation Between 16th Fiscal Period
Operating days	184 days	182 days	184 days	181 days	184 days	181 days	184 days	+3 days
Total Assets	200,699 mn yen	221,703 mn yen	218,295 mn yen	221,779 mn yen	229,781 mn yen	237,934 mn yen	238,092 mn yen	+157 mn yen
Net Assets	73,984 mn yen	91,880 mn yen	91,928 mn yen	91,846 mn yen	103,406 mn yen	111,789 mn yen	111,622 mn yen	(166) mn yen
Unitholders' Capital	24,002 mn yen	41,602 mn yen	41,602 mn yen	41,602 mn yen	53,104 mn yen	61,703 mn yen	61,703 mn yen	—
Total Outstanding Units Issued	118,735 units	160,535 units	160,535 units	160,535 units	351,870 units	373,870 units	373,870 units	—
Net Assets Per Unit	623,103 yen	572,339 yen	572,640 yen	572,127 yen	293,878 yen	299,006 yen	298,560 yen	(446) yen
Distribution Per Unit	16,320 yen	16,000 yen	16,264 yen	16,947 yen	8,300 yen	8,688 yen	8,686 yen	(2) yen
Payout Ratio	138.2%	109.1%	99.8%	107.6%	104.1%	117.8%	105.4%	(12.4)%
Return on Assets (ROA) *1	1.4%	2.2%	2.5%	2.3%	2.4%	2.3%	2.6%	+0.3%
Return on Equity (ROE) *2	3.7%	5.4%	5.6%	5.5%	5.6%	5.1%	5.5%	+0.4%
Equity ratio *3	36.9%	41.4%	42.1%	41.4%	45.0%	47.0%	46.9%	(0.1)%
Number of Properties	121	125	123	123	127	132	134	+2
Leasable Units	8,402 units [Store: 69 units]	9,164 units [Store: 74 units]	9,181 units [Store: 78 units]	9,305 units [Store: 82 units]	9,814 units [Store: 90 units]	10,170 units [Store: 79 units]	10,390 units [Store: 101 units]	+220 units [Store: +22 units]
Leasable Area	340,892.79m ² [Store: 13,851.34m ²]	383,773.51m ² [Store: 15,114.21m ²]	381,992.54m ² [Store: 15,581.95m ²]	383,991.17m ² [Store: 13,360.86m ²]	414,829.86m ² [Store: 14,240.48m ²]	423,076.61m ² [Store: 10,218.21m ²]	446,112.78m ² [Store: 18,978.50m ²]	+23,036.17m ² [Store: +8,760.29m ²]
Average Occupancy Rate in the Fiscal Period	95.7%	96.4%	96.1%	96.7%	96.5%	96.5%	96.5%	—
Occupancy Rate at End of Fiscal Period	96.2%	97.2%	96.1%	97.6%	96.7%	96.8%	96.7%	(0.1)%
Current Depreciation and Amortization	1,176 mn yen	1,363 mn yen	1,411 mn yen	1,422 mn yen	1,523 mn yen	1,589 mn yen	1,663 mn yen	+73 mn yen
Rent NOI *4	4,850 mn yen	5,618 mn yen	5,774 mn yen	5,770 mn yen	5,971 mn yen	6,361 mn yen	6,472 mn yen	+110 mn yen
FFO Per Unit *5	26,228 yen	23,570 yen	25,075 yen	25,828 yen	12,229 yen	12,523 yen	12,700 yen	+177 yen
Debt Service Coverage Ratio *6	3.9x	5.4x	6.1x	6.5x	7.4x	7.4x	8.2x	—
Total Interest-bearing Liabilities	122,653 mn yen	125,325 mn yen	121,834 mn yen	125,540 mn yen	121,740 mn yen	121,666 mn yen	121,666 mn yen	—
LTV (interest-bearing liabilities/total assets)	61.1%	56.5%	55.8%	56.6%	53.0%	51.1%	51.1%	—

*1) Return on assets (ROA) = Ordinary income/((total assets at beginning of fiscal period + total assets at end of fiscal period)/2) x 100, annualized based on management period

*2) Return on equity (ROE) = Net income/((net assets at beginning of fiscal period + net assets at end of fiscal period)/2) x 100, annualized based on management period

*3) Equity ratio = Net assets at end of fiscal period/total assets at end of fiscal period

*4) Rent NOI = Lease business revenue + other lease business revenue – real estate expenses related to rent business + depreciation and amortization

*5) FFO per unit = (Net income + depreciation and amortization + other amortization expenses – gains from property disposition)/ total outstanding units issued

*6) Debt service coverage ratio = Net income before interest amortization/interest expenses. The debt service coverage ratio excluding gain on negative goodwill as part of the merger in the ninth fiscal period is 4.4 times.

Assets

(unit: thousand yen)

Category	Sixteenth Fiscal Period (as of February 28, 2014)		Seventeenth Fiscal Period (as of August 31, 2014)		Variation
		Share (%)		Share (%)	
Assets					
Current assets					
Cash and deposits	7,971,475		3,331,562		(4,639,913)
Cash and deposits in trust	3,661,299		3,892,186		230,887
Operating accounts receivable	43,188		58,551		15,362
Prepaid expenses	303,846		301,620		(2,226)
Deferred tax assets	0		0		0
Other	389		331		(58)
Allowance for doubtful accounts	(3,412)		(3,486)		(73)
Total current assets	11,976,788	5.0	7,580,767	3.2	(4,396,021)
Noncurrent assets					
Property, plant and equipment					
Buildings	28,061,989		28,390,345		328,356
Accumulated depreciation	(2,167,160)		(2,454,086)		(286,925)
Buildings, net	25,894,828		25,936,258		41,430
Structures	244,517		248,446		3,928
Accumulated depreciation	(19,513)		(22,261)		(2,747)
Structures, net	225,004		226,185		1,181
Machinery and equipment	432,205		433,836		1,630
Accumulated depreciation	(59,908)		(67,818)		(7,909)
Machinery and equipment, net	372,297		366,018		(6,278)
Tools, furniture and fixtures	653,208		658,393		5,184
Accumulated depreciation	(182,640)		(204,979)		(22,339)
Tools, furniture and fixtures, net	470,568		453,413		(17,154)
Land	21,150,419		21,905,716		755,297
Construction in progress	0		4,500		4,500
Buildings in trust	97,806,111		101,534,823		3,728,711
Accumulated depreciation	(8,994,003)		(10,230,477)		(1,236,473)
Buildings in trust, net	88,812,107		91,304,345		2,492,237
Structures in trust	759,216		853,966		94,750
Accumulated depreciation	(80,733)		(97,981)		(17,247)
Structures in trust, net	678,482		755,985		77,502
Machinery and equipment in trust	1,549,192		1,553,115		3,922
Accumulated depreciation	(397,853)		(452,097)		(54,244)
Machinery and equipment in trust, net	1,151,339		1,101,017		(50,321)
Tools, furniture and fixtures in trust	338,277		364,796		26,519
Accumulated depreciation	(125,565)		(144,095)		(18,530)
Tools, furniture and fixtures in trust, net	212,711		220,701		7,989
Land in trust	82,363,377		82,363,377		0
Construction in progress in trust	0		1,712		1,712
Total property, plant and equipment	221,331,135	93.0	224,639,232	94.4	3,308,097

■ Assets

(unit: thousand yen)

Category	Sixteenth Fiscal Period (as of February 28, 2014)		Seventeenth Fiscal Period (as of August 31, 2014)		Variation
	Share (%)		Share (%)		
Assets					
Intangible assets					
Leasehold rights in trust	2,536,272		3,372,314		836,042
Software	0		1,669		1,669
Right of trademark	5,155		4,609		(546)
Total intangible assets	2,541,428	1.1	3,378,594	1.4	837,165
Investments and other assets					
Long-term prepaid expenses	648,203		514,536		(133,667)
Guarantee deposits	10,195		10,195		0
Lease deposits in trust	1,412,200		1,956,916		544,716
Total investments and other assets	2,070,599	0.9	2,481,648	1.0	411,048
Total noncurrent assets	225,943,163	95.0	230,499,475	96.8	4,556,311
Deferred assets					
Bonds issuance costs	14,122		11,768		(2,353)
Total Deferred assets	14,122	0.0	11,768	0.0	(2,353)
Total assets	237,934,074	100.0	238,092,010	100.0	157,936

Balance Sheet

Liabilities and Net Assets

(unit: thousand yen)

Category	Sixteenth Fiscal Period (as of February 28, 2014) Share (%)	Seventeenth Fiscal Period (as of August 31, 2014) Share(%)	Variation
Liabilities			
Current liabilities			
Operating accounts payable	311,178	447,284	136,106
Short-term loans	0	0	0
Current portion of long-term loans payable	0	0	0
Accounts payable-other	100,159	118,912	18,752
Accrued expenses	462,544	505,231	42,686
Income taxes payable	605	605	0
Consumption tax payable	18,631	14,650	(3,981)
Advances received	844,848	870,782	25,934
Deposits received	218,821	256,950	38,128
Current portion of rehabilitation debt	14,861,887	14,861,887	0
Total current liabilities	16,818,677 7.1	17,076,304 7.2	257,627
Non current liabilities			
Investment Corporation Bonds	3,000,000	3,000,000	0
Long-term loans payable	103,805,000	103,805,000	0
Tenant leasehold and security deposits	318,326	315,200	(3,126)
Tenant leasehold and security deposits in trust	1,801,227	1,866,878	65,651
Asset retirement obligations	401,258	405,813	4,555
Rehabilitation debt	0	0	0
Total noncurrent liabilities	109,325,812 45.9	10,392,892 45.9	67,080
Total liabilities	126,144,489 53.0	126,469,197 53.1	324,707
Net assets			
Unitholders' equity			
Unitholders' capital	61,703,224	61,703,224	0
Surplus			
Capital surplus	28,241,587	28,241,587	0
Reserve for distribution	19,140,843	18,596,590	(544,253)
Unappropriated retained earnings (undisposed loss)	2,703,929	3,081,411	377,482
Total surplus	50,086,360	49,919,588	(166,771)
Total unitholders' equity	111,789,584 47.0	111,622,813 46.9	(166,771)
Total net assets	111,789,584 47.0	111,622,813 46.9	(166,771)
Total liabilities and net assets	237,934,074 100.0	238,092,010 100.0	157,936

Notes and Remarks for Seventeenth Fiscal Period (unit: million yen)

1. Cash and deposits	
Investment corporation title	3,331
Trust bank title	3,892
(of which, equivalent to deposit)	2,182
Balance	5,041
2. Interest-bearing liabilities	121,666
3. Allowance for doubtful accounts	3
4. Change in Unitholders' capital	
Total Unitholders' capital	61,703
June 2005: Established with private offering	300
December 2005: Increase capital through third party allotment	1,430
March 2006: Increase capital through public offering	18,238
March 2007: Increase capital through third party allotment	4,034
October 2011: Increase capital through public offering	15,999
November 2011: Increase capital through third party allotment	1,599
March 2013: Increase capital through public offering	10,455
April 2013: Increase capital through third party allotment	1,045
October 2013: Increase capital through public offering	7,817
November 2013: Increase capital through third party allotment	781

Unitholders' Capital and Total Outstanding Units Issued

Date	Unitholders' Capital (yen)	Total Unitholders' Capital (yen)	Total Units Issued (unit)	Total Outstanding Units Issued (unit)
June 7, 2005 *1	300,000,000	300,000,000	600	600
Dec. 19, 2005	1,430,000,000	1,730,000,000	2,860	3,460
March 20, 2006	18,238,500,000	19,968,500,000	37,800	41,260
March 2, 2007	4,034,088,000	24,002,588,000	8,000	49,260
April 1, 2010 *2	-	24,002,588,000	69,475	118,735
October 4, 2011	15,999,862,000	40,002,450,000	38,000	156,735
Nov. 2, 2011	1,599,986,200	41,602,436,200	3,800	160,535
March 1, 2013 *3	Split of investment units			321,070
March 18, 2013	10,455,984,000	52,058,420,200	28,000	349,070
April 17, 2013	1,045,598,400	53,104,018,600	2,800	351,870
October 28, 2013	7,817,460,000	60,921,478,600	20,000	371,870
Nov. 19, 2013	781,746,000	61,703,224,600	2,000	373,870

*1) Daiwa House Residential Investment Corporation was established on June 7, 2005.

*2) Following the merger with NCR, for each unit of NCR, 0.23 units of DHI was allotted and issued.

*3) DHI implemented a 2-for-1 split of investment units with an effective date of March 1, 2013.

Income Statement

(unit: thousand yen)

Category	Sixteenth Fiscal Period (Sep. 1, 2013 – Feb. 28, 2014)	Seventeenth Fiscal Period (Mar. 1, 2014 – Aug. 31, 2014)	Variation
Operating revenue			
Lease business revenue	7,782,089	7,990,756	208,666
Other lease business revenue	534,425	587,494	53,068
Gain from disposition of properties	0	0	0
Total operating revenue	8,316,515	8,578,251	261,735
Operating expenses			
Expenses related to rent business	3,545,022	3,769,653	224,630
Loss from disposition of properties	385,417	0	(385,417)
Asset management fee	532,323	572,099	39,775
Asset custody fee	20,909	21,484	575
Administrative service fees	66,207	59,302	(6,905)
Directors' compensations	6,600	6,600	0
Provision of allowance for doubtful accounts	0	453	453
Other operating expenses	200,177	242,398	42,221
Total operating expenses	4,756,658	4,671,991	(84,666)
Operating income	3,559,857	3,906,259	346,401
Non-recurring income			
Interest income	776	486	(289)
Reversal of allowance for doubtful accounts	727	0	(727)
Other	5,579	8,007	2,427
Total non-recurring income	7,083	8,494	1,410
Non-recurring expenses			
Interest expenses	650,966	645,306	(5,660)
Interest expenses on bonds	16,523	17,076	552
Retirement of bonds issuance cost	2,353	2,353	0
Borrowing related expenses	155,320	159,798	4,477
Unit issuance expenses	35,675	0	(35,675)
Other	1,566	8,202	6,636
Total non-recurring expenses	862,407	832,737	(29,669)
Ordinary income	2,704,534	3,082,016	377,482
Extraordinary income			
Other	0	0	0
Total extraordinary income	0	0	0
Extraordinary loss			
Impairment losses	0	0	0
Loss on disaster	-	-	-
Total extraordinary losses	0	0	0
Income before income taxes	2,704,534	3,082,016	377,482
Income taxes-current	605	605	0
Total income taxes	605	605	0
Net income	2,703,929	3,081,411	377,482
Retained earnings brought forward	-	-	-
Unappropriated retained earnings (undisposed loss)	2,703,929	3,081,411	377,482

Financial statements pertaining to distribution of funds

(unit: yen)

Category	Sixteenth Fiscal Period (Sep. 1, 2013 – Feb. 28, 2014)	Seventeenth Fiscal Period (Mar. 1, 2014 – Aug. 31, 2014)	Variation
I. Unappropriated retained earnings	2,703,929,077	3,081,411,214	377,482,137
II. Reversal of reserve for distribution	544,253,483	166,023,606	(378,229,877)
III. Distribution amount [Distribution per unit]	3,248,182,560 [8,688]	3,247,434,820 [8,686]	(747,740)
IV. Reserve of reserve for distribution	-	-	-
V. Retained earnings carried forward	-	-	-

Breakdown of Real Estate Lease Business Revenue and Expenses

(unit: thousand yen)

Category	Sixteenth Fiscal Period (Sep. 1, 2013 – Feb. 28, 2014)	Seventeenth Fiscal Period (Mar. 1, 2014 – Aug. 31, 2014)	Variation
A. Real estate lease business revenue			
Lease business revenue			
Rent income	7,521,874	7,723,250	201,376
Common service fees	260,215	267,505	7,290
Subtotal	7,782,089	7,990,756	208,666
Other lease business revenue			
Facility charges	242,657	251,554	8,896
Incidental revenue	47,279	45,497	(1,781)
Other lease business revenue	244,489	290,442	45,953
Subtotal	534,425	587,494	53,068
Total real estate lease business revenue	8,316,515	8,578,251	261,735
B. Real estate expenses related to rent business			
Expenses related to rent business			
Management fees	820,236	856,198	35,962
Utility expenses	136,165	138,447	2,281
Tax and public charges	413,777	464,435	50,658
Repair expenses	135,550	116,586	(18,963)
Insurance expenses	11,846	12,484	638
Restoration cost	192,438	214,597	22,158
Custodian fees	47,075	44,339	(2,735)
Depreciation and amortization	1,589,961	1,663,841	73,879
Other operating expenses	197,971	258,722	60,751
Total real estate expenses related to rent business	3,545,022	3,769,653	224,630
C. Real estate lease business income (A – B)	4,771,492	4,808,597	37,104

Statistical Data of Unitholders

Breakdown by Number of Unitholders

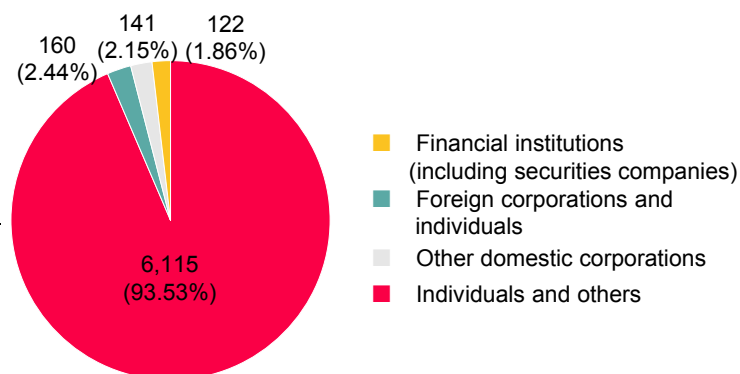
Unitholder type		Previous Fiscal Period (16th Fiscal Period) (as of February 28, 2014)		Current Fiscal Period (17th Fiscal Period) (as of August 31, 2014)		Variation
		Number of Unitholders (persons)	Ratio (%)	Number of Unitholders (persons)	Ratio (%)	Number of Unitholders (persons)
Individuals and others		6,888	93.95	6,115	93.53	(773)
Financial institutions		97	1.32	102	1.56	5
	Banks and trust banks	48	0.65	52	0.79	4
	City banks	1	0.01	1	0.01	0
	Regional banks	36	0.49	38	0.58	2
	Trust banks	11	0.15	13	0.19	2
	Life insurance companies	8	0.10	9	0.13	1
	Non-life insurance companies	3	0.04	3	0.04	0
	Other financial	38	0.51	38	0.58	0
	Credit unions	26	0.35	27	0.41	1
	Other	12	0.16	11	0.16	(1)
Other domestic corporations		168	2.29	141	2.15	(27)
Foreign corporations and individuals		155	2.11	160	2.44	5
Securities companies		23	0.31	20	0.30	(3)
Total		7,331	100.00	6,538	100.00	(793)

Breakdown by Number of Units Held

Unitholder type		Previous Fiscal Period (16th Fiscal Period) (as of February 28, 2014)		Current Fiscal Period (17th Fiscal Period) (as of August 31, 2014)		Variation
		Number of Units (units)	Ratio (%)	Number of Units (units)	Ratio (%)	Number of Units (units)
Individuals and others		28,955	7.74	25,199	6.74	(3,756)
Financial institutions		245,382	65.63	255,798	68.41	10,416
	Banks and trust banks	220,442	58.96	228,118	61.01	7,676
	City banks	443	0.11	384	0.10	(59)
	Regional banks	37,626	10.06	39,542	10.57	1,916
	Trust banks	182,373	48.77	188,192	50.33	5,819
	Life insurance companies	10,416	2.78	12,239	3.27	1,823
	Non-life insurance companies	7,286	1.94	7,457	1.99	171
	Other financial	7,238	1.93	7,984	2.13	746
	Credit unions	3,434	0.91	4,133	1.10	699
	Other	3,804	1.01	3,851	1.03	47
Other domestic corporations		45,143	12.07	43,923	11.74	(1,220)
Foreign corporations and individuals		52,909	14.15	43,076	11.52	(9,833)
Securities companies		1,481	0.39	5,874	1.57	4,393
Total		373,870	100.00	373,870	100.00	0

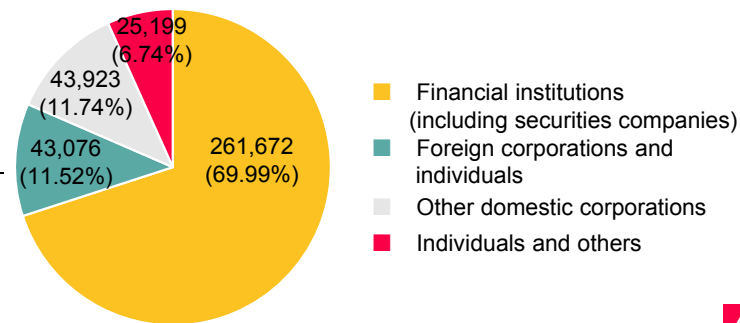
Number of Unitholders

Total number of Unitholders:
6,538



Number of Units

Outstanding units issued:
373,870 units



Unitholders (Major Unitholders)

Major Unitholders of DHI

Name	16th Fiscal Period (as of February 28, 2014)		17th Fiscal Period (as of August 31, 2014)		Variation
	Number of Units Held (units)	Percentage of Total (%)	Number of Units Held (units)	Percentage of Total (%)	
Japan Trustee Services Bank, Ltd. (trust account)	92,966	24.86	100,316	26.83	7,350
Daiwa House Industry Co., Ltd.	37,720	10.08	37,720	10.08	—
The Master Trust Bank of Japan, Ltd. (trust account)	31,434	8.40	31,353	8.38	(81)
Trust & Custody Services Bank, Ltd. (securities investment trust account)	21,731	5.81	22,524	6.02	793
The Nomura Trust and Banking Co., Ltd. (investment trust account)	18,321	4.90	15,040	4.02	(3,281)
SCBHK AC DBS VICKERS (HK) LIMITED—CLIENT A/C	6,900	1.84	6,900	1.84	—
Mizuho Trust & Banking Co., Ltd.	5,633	1.50	6,501	1.73	868
The Chugoku Bank, Ltd.	6,471	1.73	6,471	1.73	—
The Fuji Fire and Marine Insurance Co., Ltd.	6,265	1.67	6,265	1.67	—
The BANK OF NEW YORK JASDECNON-TREATY ACCOUNT	5,964	1.59	5,964	1.59	—
Total	233,405	62.42	239,054	63.94	5,649

Questionnaire for Unitholders in 16th Fiscal Period

A questionnaire was sent to all unitholders together with the asset management report for the 16th fiscal period, and completed questionnaires were returned by 2,074 unitholders (28.3% of the total).

Gender	「Male」 73%, 「Female」 27%, 「No answer」 0.2%	Reason for investing in DHI (*)	「Distribution yield」 68%, 「Creditworthiness of sponsor」 33%, 「Recommendation by securities company」 22%, 「Growth potential」 21%, 「Comparison with other REITs」 18%, 「Low unit price」 17%
Age	「60 and over」 59%, 「50s」 18%, 「40s」 12%	Approach to investing in DHI	「Long-term holding」 58%, 「Long-term holding + Increasing investment」 24%, 「Increasing investment」 4%
Occupation	「Unemployed/retired」 33%, 「Company employee」 21%, 「Full-time homemaker」 15%, 「Self-employed」 10%	Reasons for Increasing and long-term holding (*)	「Stability of distributions」 67%, 「Expectation of rise in unit price」 29%, 「Creditworthiness of sponsor」 26%, 「High quality of owned properties」 15%
No. of years as a unitholder	「10 years and over」 55%, 「Less than 10 years」 21%	Highest priority in investment approach decision (*)	「Distribution yield」 80%, 「Profitability」 35%, 「Quality of owned properties」 22%, 「Creditworthiness of sponsor」 20%, 「Track record」 20%
		Satisfaction with DHI's IR activities	「Satisfied/somewhat satisfied」 87%, 「Somewhat dissatisfied」 9%

*) Multiple answers allowed.

// Initiatives based on the Feed Back from Unitholders

- From the 10th fiscal period, DHI started sending out a questionnaire to all unitholders with the Asset Management Report. In response to requests raised by many respondents, we implemented a split of investment units and launched a unitholder special benefit program.

// Implementing Split of Investment Units

- DHI implemented a 2-for-1 split of investment units effective March 1, 2013.
- The purpose of this split is to reduce investment cost per unit and to encourage investment by investors, in order to expand the investor base and increase the liquidity of DHI's investment units.

// Introducing a Special Benefit Program for Unitholders

- From the 15th fiscal period (ended August 2013), DHI launched a special benefit program for unitholders.
- Targeting unitholders who are recorded on the list of unitholders of DHI at the end of each fiscal period (the end of February and August of each year)
- Regardless of the number of units held, all eligible unitholders shall receive one hotel discount ticket at the 26 Daiwa Royal Hotels (for two or more persons per room), which are operated all over the country by Daiwa Resort Co., Ltd. (a wholly-owned subsidiary of Daiwa House Industry Co., Ltd.) without limitation to the term of validity (The ticket will be included in the Asset Management Report and is scheduled to be sent to eligible unitholders in mid-May and mid-November each year.).

*) DHI may make changes to the special benefit program implementation or its content in the future.

Period	Price list (two or more persons per room) (room rates per person)	
	One night's stay with breakfast	One night's stay with breakfast and dinner
December 1, 2014 – May 31, 2015	¥7,780	¥12,500

(Exclusion periods) December 31, 2014 through January 2, 2015, May 2, 2015 through May 5, 2015 and other periods specified by each of the hotels.

In response to requests raised by many respondents, we added an option for one night's stay with breakfast and dinner from the 16th fiscal period (ended Feb. 2014).



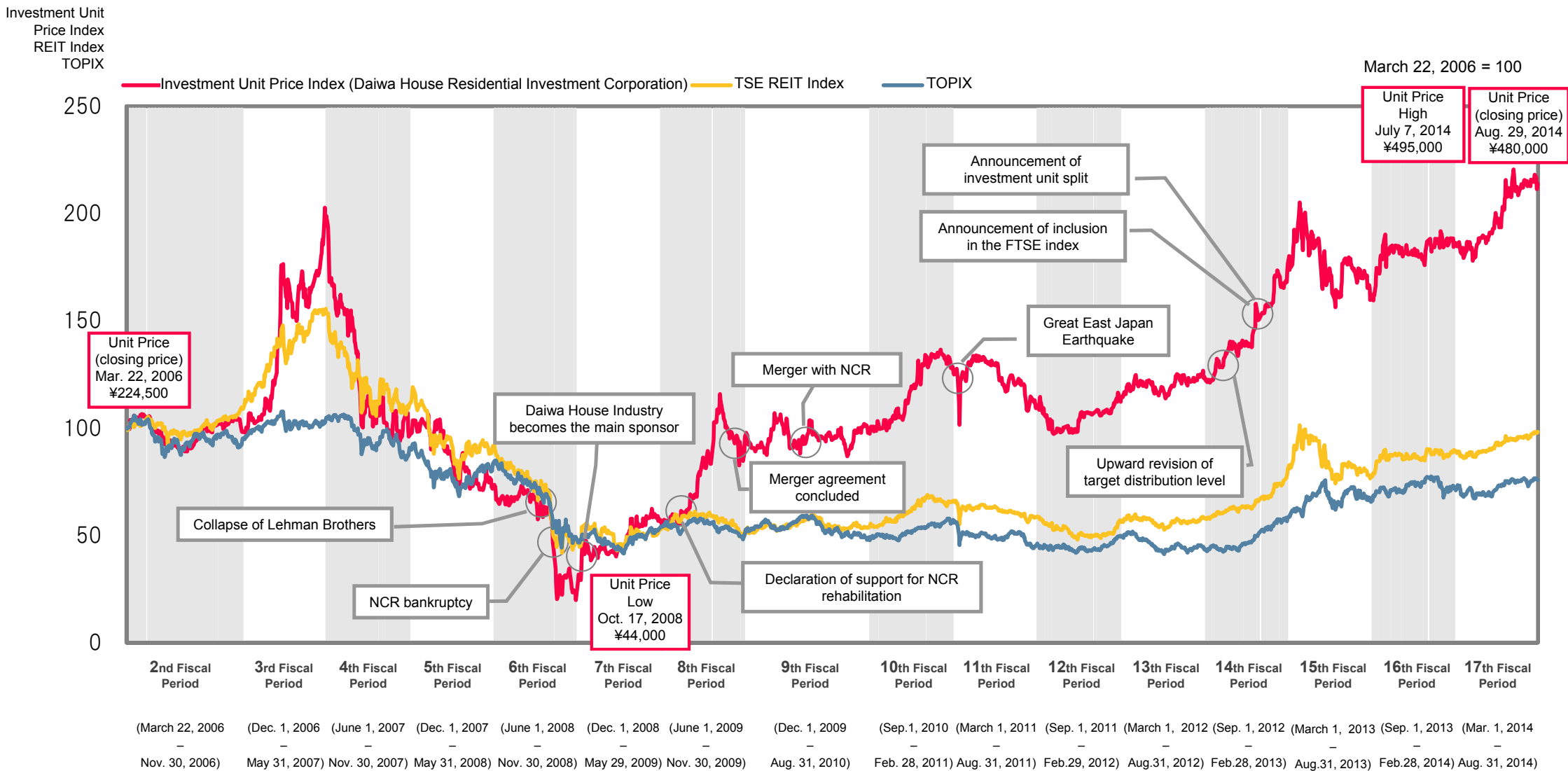
[Minamiboso-Tomiura Royal Hotel]

// Introducing of Cumulative Investment Program for Officers and Employees

- Daiwa House Asset Management Co., Ltd. will launch a cumulative investment program for officers and employees starting December 2013.
- The purpose of this is to encourage officers and employees of Daiwa House Asset management Co., Ltd. to closely keep eyes on DHI's investment unit price and raise their awareness of its earnings, thus incentivizing them to make efforts to increase DHI's investment unit price, drive further growth for DHI, and enhance unitholders' value in the medium and long term.

*) Cumulative investment program allows officers and employees of the asset investment company to acquire DHI's investment units at the fixed time in a fixed amount on a continuous basis through securities companies.

Unit Prices since 2006



*1) The investment unit price index shows the indexed value of closing price of DHI's investment unit on the TSE.

*2) "Unit Price High" and "Unit Price Low" are a new high and low, respectively, during trading hours.

*3) DHI implemented a 2-for-1 split of investment units on March 1, 2013. Factoring in the impact of the split, investment unit prices on or before February 28, 2013 are divided by two.

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